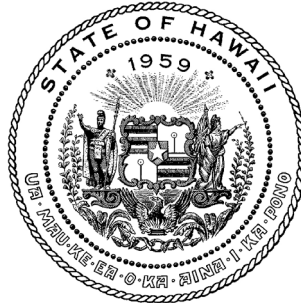


STATE OF HAWAII DEPARTMENT OF TAXATION



GENERAL INSTRUCTIONS FOR FILING THE GENERAL EXCISE/USE TAX RETURNS

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REMINDER: A 0.5% county surcharge on the State's general excise and/or use taxes is imposed on Hawaii taxpayers. Although only the City and County of Honolulu is levying the county surcharge, taxpayers in ALL counties are affected. Taxpayers **MUST** complete Part V of their periodic and annual general excise/use tax returns to assign their taxes to each county, or may be subject to a 10% penalty for noncompliance.

NOTE: Periodic general excise/use tax returns (Form G-45), the annual general excise/use tax return (Form G-49), and the Application for Extension of Time to File (Form GEW-TA-RV-6) can be filed and payments made electronically through the State's Internet portal. For more information, go to **www.ehawaii.gov/efile**.

Mailing Address Information

HAWAII DEPARTMENT OF TAXATION
P.O. BOX 1425
HONOLULU, HI 96806-1425

GENERAL EXCISE/USE TAX RETURNS GENERAL INSTRUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES (HRS) UNLESS OTHERWISE NOTED)

(NOTE: References to "married", "unmarried", and "spouse" also means "in a civil union", "not in a civil union", and "civil union partner", respectively.)

Changes You Should Note

- **Use Tax** - Effective July 1, 2013, Act 46, Session Laws of Hawaii (SLH) 2013, amends the definition of use tax under section 238-1, by removing the definition of imported contracting and placing it under section 238-2.3, Imposition of Tax on Imported Services or Contracting.
- **Sales of Fresh Foods, Liquor, and Tobacco to Common Carriers** - Act 160, SLH 2013, eliminates the general excise tax (GET) exemption for amounts received from the sales of liquor, certain tobacco, and fresh food products to transportation companies for out-of-state use (or use on vessels). This applies to taxable years beginning after December 31, 2013.
- **Maintenance Fees/Hotel Operator/Hotel Suboperator** - Act 163, SLH 2013, makes 2 exemptions permanent. (1) Amounts received by submanagers for common expenses under section 237-24.3(3) (This is listed as "Maintenance Fees" in the schedule of exemptions and deductions). (2) The second exemption is under section 237-24.7(1). (A) A hotel operator claiming an exemption for amounts received from a timeshare association and disbursed by the hotel operator for employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits); and (B) A hotel suboperator claiming an exemption for amounts received from the owner of the hotel, from a timeshare association, or from the operator of the hotel, and disbursed by the hotel suboperator for employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits). The aggregate cap of \$400,000 claimed by the hotel operator or suboperator under section 237-24.7(1) is eliminated. Form G-79 is now obsolete. This applies to taxable years beginning after December 31, 2012.
- **TRICARE** - Act 164, SLH 2013, extends the exemption for amounts received by a managed care support contractor of the TRICARE program for the actual cost or advancement to third-party health care providers pursuant to a contract with the United States to December 31, 2018.
- **Professional Employer Organization (PEO)** - Act 174, SLH 2013, requires a PEO to comply with registration requirements under Chapter 373L, HRS, in order to qualify for a GET exemption under section 237-24.75(3).
- **Green Infrastructure Fee/Charge** - Act 211, SLH 2013, provides an exemption for amounts received by an electric utility for the green infrastructure fee and the green infrastructure charge under section 196-New and 269-New. This act relates to green infrastructure loans provided to promote the State's clean energy goals.
- **Exemption/Deduction Suspension** - Act 105, SLH 2011, temporarily suspended certain general excise and use tax exemptions/deductions from July 1, 2011 through June 30, 2013. Act 105 was repealed on June 30, 2013, this means that the exemptions/deductions suspended by Act 105 may now be claimed against a taxpayer's gross receipts received or accrued (depending on the taxpayer's accounting method) after June 30, 2013. See Department of Taxation Announcement 2013-04 for more information.
- **Schedule GE** - This form which is used to report exemptions/deductions has been revised. If you are claiming exemptions/deductions, please complete and attach Schedule GE

(Form G-45/G-49) (Rev. 2013) to your Forms G-45 and G-49. Failing to use the most current form may result in the disallowance of your exemptions/deductions.

- **Schedule GE-1** - This online survey is obsolete for tax years 2013 and later. See Department of Taxation Announcement No. 2011-26 for more information.

The General Excise Tax

The GET is a privilege tax imposed on business activity in the State of Hawaii. The tax is imposed on the gross income received by the person engaging in the business activity. Activities subject to the tax include wholesaling, retailing, farming, services, construction contracting, rental of personal or real property, business interest income, and royalties. This is not a complete list of activities subject to the GET.

County Surcharge

Effective January 1, 2007, the general excise and use tax was amended to provide a 0.5% county surcharge on transactions attributable to the City and County of Honolulu and subject to the state general excise tax rate of 4% for a total rate of 4.5%. The county surcharge does not apply to activities taxed at the 0.5% rate (e.g., wholesaling) or the 0.15% rate for insurance commissions. If you do business on more than one island, you must complete Form G-75 and attach it to Forms G-45 and G-49. Form G-75 is used to report your taxable income for each type of business activity (e.g., wholesaling, retailing) in each taxation district (i.e., Oahu, Maui, Kauai, Hawaii) and to help you complete Part IV (Oahu taxable income subject to the county surcharge) and Part V (assignment of taxes by district) on Forms G-45 and G-49. See pages 10 and 15-16 for more information on completing Parts IV and V of Forms G-45 and G-49.

For more information on the county surcharge, see Department of Taxation Announcement Nos. 2005-11, 2006-15, 2006-17 and Tax Information Release (TIR) No. 2007-01 or click on the link to the County Surcharge webpage from the Department of Taxation's homepage at tax.hawaii.gov.

Who Must File

Every person doing business in Hawaii during the taxable year must obtain a GET license and file the appropriate returns, regardless of how much income the business earns, and whether or not the business also incurred losses. Every person receiving rents from real property owned in Hawaii is considered to be doing business, and must file returns.

Every person who uses in this State tangible personal property, services, or contracting which are imported into Hawaii, regardless if at the time of importation, the property, services, or contracting is owned by the importer, purchased from a seller that does not have a GET license, or however acquired, must file a return to report use tax in addition to GET.

Under the General Excise and Use Tax Laws, "person" means every separate legal entity, even though it might not pay net income tax or file a net income tax return. For example, although a partnership that is doing business does not pay net income tax on the income it earns, the partnership (rather than its partners) is required to pay general excise or use tax. However, if the grantor of a revocable living trust reports all items of the trust's income on the grantor's individual net income tax return, the grantor rather than the trust will report and pay GET on the trust's income. See TIR No. 94-5 for more information. Furthermore, a husband and wife or partners in a civil union may file joint general excise and use tax returns.

In most circumstances, GET returns do not have to be filed by:

- Individuals not engaged in business. If an individual's only business is performing personal services as an employee under the direction and control of an employer, returns are not required, but an individual who rents out real property or performs services as an independent contractor, even as a side business, must report and pay tax on that income.
- Financial institutions. A financial institution that is subject to the Franchise Tax Law (Chapter 241, HRS), and that earns only income that is taxable under that law, only needs to file a franchise tax return. See section 237-24.8 for more information.
- Public utilities owned and operated by the State or a political subdivision of it, or public service companies subject to the Public Service Company Tax Law (Chapter 239, HRS). If, however, a public service company receives income from directory advertising, interest income, or income not included in the measure of the tax imposed by Chapter 239, HRS, GET returns must be filed to report and pay tax on those amounts.
- Insurance companies subject to the insurance premiums tax (sections 431:7-201 to 431:7-205). If, however, an insurance company receives rents from investments in Hawaii real property, GET returns must be filed to report and pay tax on that income. See section 237-29.7 for more information.
- Certain nonprofit organizations. However, other nonprofit organizations that were previously not required to file GET/Use tax returns and/or exempt from reporting certain exemptions/deductions may now be required to file GET/Use tax returns and/or report certain exemptions/deductions. Effective July 1, 2010, any nonprofit organization who is required to obtain a GET license and fails to do so or who has a license and fails to file Form G-49 within 12 months of the prescribed due date may be denied GET benefits, such as exemptions, deductions, or lower tax rates (section 237-9.3). The director must first give written notice to the nonprofit organization to comply with the requirements of the GET Protection Act before denying any GET benefits. The nonprofit organization will have 90 days from the date of the receipt of the letter to comply with the requirements. For more information on the GET licensing and reporting requirements for nonprofits, see TIR Nos. 2010-05 and 2011-04. If a nonprofit organization conducts fundraising activities (e.g., selling barbecued chicken, silent auctions) or conducts any other business activity that is unrelated to its exempt purpose, then the organization is required to have a GET license, file GET/Use tax returns, and pay tax on that income. See Tax Facts Nos. 98-3 and 99-4 for more information.

Resident or Nonresident?

Under the General Excise and Use Tax Laws, it does not matter if you are a resident, nonresident, or part-year resident.

Filing Frequency

The periodic returns (Form G-45) are used to report gross income, exemptions/deductions, and taxes due on business activities periodically. They must be filed throughout the year at specified intervals. The frequency you file depends on the amount of GET your business has to pay during the year.

- You must file monthly if you will pay more than \$4,000 in GET per year.

- You may file quarterly if you will pay \$4,000 or less in GET per year.
- You may file semiannually if you will pay \$2,000 or less in GET per year.

If you are filing quarterly or semiannually and your tax liability is more than the amounts listed above, you must change your filing period.

To change your filing period, notify the Department of Taxation ("Department") by filing **Form GEW-TA-RV-5**, General Excise/Use, Employer's Withholding, Transient Accommodations and Rental Motor Vehicle & Tour Vehicle Surcharge Application Changes.

What Forms to File

All filers must file periodic returns (Form G-45) throughout the year, and an annual return and reconciliation (Form G-49). You must also file Schedule GE (Form G-45/G-49) if you are claiming exemptions/deductions, and Form G-75 if you conducted business in more than one tax district. Please see the applicable sections below for more information.

Form G-45 - All filers must file periodic returns based on their filing frequency. A monthly filer must file a Form G-45 every month, a quarterly filer must file a return for each quarter, and a semiannual filer must file a return for each semi-annual period.

You must file a Form G-45 even if you do not have any gross income to report for the period. Just write a zero (0) in each column of your main business activity and also on the "Total Taxes Due" line. If your business activity has temporarily stopped, you may submit a written request to the Department to temporarily change the status of your license to inactive for up to 2 years. You must continue to file Form G-49 for each taxable year; however, it is not necessary to file Form G-45 while your license is inactive.

Form G-49 - All filers must file an annual return and reconciliation (Form G-49) after the close of the taxable year. Form G-49 is a summary of your activity for the entire year. This return must be filed in addition to Form G-45.

Schedule GE (Form G-45/G-49) - If you are claiming exemptions/deductions on Forms G-45 and G-49, you must complete and attach Schedule GE (Form G-45/G-49) to Forms G-45 and G-49. If you do not attach this form to your Forms G-45 and G-49, your exemptions/deductions will be disallowed. Schedule GE (Form G-45/G-49) has been revised. Please use the current revision of Schedule GE (Form G-45/G-49) (Rev. 2013).

The schedules of exemptions and deductions may be found at the end of these instructions.

Form G-75 - If you completed Part V - Schedule of Assignment of Taxes By District on Forms G-45 and G-49, and did business in MORE THAN one District (the MULTI indicator should be darkened), you will need to complete Form G-75, Schedule of Assignment of General Excise/Use Taxes By Districts. Form G-75 must be attached to Forms G-45 and G-49.

NOTE: It is **highly** recommended that you print a new form from our website (tax.hawaii.gov) each time you need it. The form's barcode is necessary to process the return. Excessive photocopying of a photocopy will degrade the barcode, and the barcode will become unreadable.

Amended Returns - If you filed your General Excise/Use Tax Return and later become aware of any changes to the reported income or exemptions/deductions, file the following forms, as applicable, to correct the return.

- File an amended return on **Form G-45** to change the Form G-45 you already filed. To designate that the form is an amended return, darken the oval at the top of page 1 of the Form G-45. Fill in the return with all of the correct information. Do **NOT** use this form if the General Excise/Use Tax Annual Return and Reconciliation, Form G-49, has already been filed for the tax year.
- File an amended return on **Form G-49**, to change the Form G-49 you already filed. To designate that the form is an amended return, darken the oval at the top of page 1 of the Form G-49. Fill in the return with all the correct information. If you are amending Form G-49, it is not necessary to also amend the associated Form G-45s.

Form GEW-TA-RV-1 - If your business activity has stopped and you do not need your license again (e.g., you incorporated a sole proprietorship or you sold your business), you must cancel your GET license. Complete Form GEW-TA-RV-1, Notification of Cancellation, and send it with your license to the Department. You must file all returns up to the date of cancellation, including the annual return.

Form GEW-TA-RV-5 - If you need to make changes to your license application (e.g. change your name, add/delete partners or corporate officers, or filing frequency), complete and submit Form GEW-TA-RV-5 to the Department.

Form ITPS-COA - If you need to change your address, complete and submit Form ITPS-COA to the Department.

Electronic Funds Transfer (EFT)

Section 231-9.9 authorizes the Department to require those taxpayers whose tax liability for a particular tax exceeded \$100,000 during the past year to pay that tax by EFT instead of by check. The Department reviews the filing records of taxpayers and will mail notices to taxpayers who met this criterion. Any taxpayer who does not meet the criterion may still voluntarily pay by EFT. Use **Form EFT-1** to set up payment by EFT. For more information on paying taxes by EFT, please see TIR Nos. 95-6 and 99-1.

IMPORTANT: A penalty of 2% of the tax due will be assessed if a taxpayer who is required to make payments by EFT does not do so without reasonable cause. If an EFT payment is dishonored, a \$25 service fee will be assessed.

Due Dates

- Form G-45 is due on or before the 20th day of the calendar month following the end of the filing period. For example, if your filing period ends on January 31st, then your return will be due on February 20th.
- Form G-49 is due on or before the 20th day of the 4th month following the close of the tax year. For taxpayers on a calendar year, this return will be due on April 20th.

NOTE: If any due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular work day as the due date.

If you file and/or pay late, you may have to pay penalties and interest. For more information, see **Penalties and Interest** below.

No extensions for filing the periodic Forms G-45 are allowed. If you are not able to determine the exact amount of your gross income for the period, estimate it as accurately as you can and file on that basis.

If you are unable to meet the deadline for filing the annual return and reconciliation (Form G-49), you

may submit a request for an extension to file on **Form GEW-TA-RV-6**. **Approval of an extension request is not automatic.** The extension of time to file is not an extension of time for payment. Your payment for any additional tax you estimate must be sent in with your extension request.

Penalties and Interest

Late Filing of Return — The penalty for failure to file a return on time is assessed on the tax due at a rate of 5% per month, or part of a month, up to a maximum of 25%.

Failure to Pay Tax After Filing Timely Return — The penalty for failure to pay the tax after filing a timely return is 20% of the tax unpaid within 60 days of the prescribed due date. The 60-day period is calculated beginning with the prescribed due date even if the prescribed due date falls on a Saturday, Sunday, or legal holiday.

Failure to Pay by EFT — The penalty for failure to pay by EFT for taxpayers who are required to pay by EFT is 2% of the tax due.

Failure to Complete Part V - Schedule of Assignment of Taxes By District on Forms G-45 and G-49 — The penalty for failure to complete Part V - Schedule of Assignment of Taxes By District on Forms G-45 and G-49 is 10% of the combined State and county surcharge taxes due on the return being filed.

Interest — Interest at the rate of 2/3 of 1% per month, or part of a month, shall be assessed on unpaid taxes and penalties beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on Saturday, Sunday, or legal holiday.

Please check your return carefully. Additional penalties may be assessed if you make an underpayment of tax due to negligence, intentional disregard of the Department's rules, or fraud.

Where to File

Mail your general excise and use tax returns to:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425

Forms G-45, G-49, and GEW-TA-RV-6 can be filed and payments made electronically through the State's Internet portal. For more information, go to www.ehawaii.gov/efile.

Where to Get Forms, Instructions, and Publications

Forms, publications, and other documents, such as copies of Tax Information Releases and Administrative Rules issued by the Department, are available on the Department's website at tax.hawaii.gov or you may contact a customer service representative at:

Voice: 808-587-4242
1-800-222-3229 (Toll-Free)

Telephone for the Hearing Impaired:
808-587-1418
1-800-887-8974 (Toll-Free)

Fax: 808-587-1488

E-mail: Taxpayer.Services@hawaii.gov

Mail: Taxpayer Services Branch
P.O. Box 259
Honolulu, HI 96809-0259

GENERAL INFORMATION ON THE GENERAL EXCISE TAX LAW

The GET is a tax imposed on the gross income you receive from any business activity you have in Hawaii. Gross income includes any cost passed on to the customer and represented to be the GET.

For example:

Retail sale price	\$ 100.00
+ 4% tax (passed on)	+ 4.00
Charged to customer	<u>\$ 104.00</u>

In this example, if there are no exemptions/ deductions, the GET due on the gross income is \$4.16, calculated as follows:

Gross income	\$ 104.00
x Tax rate	x .04
General excise tax	<u>\$ 4.16</u>

NOTE: Income earned from business conducted on Oahu and subject to the 4% GET rate is also subject to the 0.5% City and County of Honolulu Surcharge.

Examples of Income You Must Report

- The gross amount of income you receive from the sale of goods or services. This includes

the amount you receive for the sale of inventory property, even if you receive it because you sold your entire business.

- Bartering income, which is the fair market value of goods or services you received in return for your goods or services.
- Income that you received as a reimbursement for any costs spent on behalf of any customer or client, if you marked up the costs by any amount or if the costs were actually spent on your own business.

Other specific examples are found in each of the classifications below.

GENERAL INFORMATION ON THE USE TAX LAW

The use tax is an excise tax imposed on the landed value of tangible personal property, services, or contracting imported into the State from an unlicensed out-of-state seller for use in the State, regardless if at the time of importation, the property, services, or contracting is owned by the importer, purchased from a seller that does not have a GET license, or however acquired. The landed value is the value an item has at the time it arrives in Hawaii. It generally includes the invoice price plus shipping, insurance, handling, licenses, customs duty, and other related costs. An offset of the use tax may be claimed for sales taxes paid to another state. See instructions for Use Tax and General Excise Tax Offset on page 6.

Property, services or contracting are not subject to use tax if either the GET or use tax has been previously paid on the property, services or contracting.

Examples of Property, Services, or Contracting You Must Report

- Cars, trucks, boats, or office machines that are imported for business or personal use, for retail sale, or for leasing.
- Articles such as clothing, electronics, or cameras that are imported from another state or a foreign country by a retailer for resale here.
- Heavy equipment, such as cranes, tractors, and earth movers that will be kept in the State for more than 365 days.
- Lumber imported by a contractor for use in a construction project.

- All services performed outside this State where the customer in this State uses, consumes or resells the service in this State.
- Contracting performed outside the State imported by a person who uses or consumes the value of the contracting in this State.
- Goods or services purchased from an out-of-state seller via the internet where the customer in this State uses, consumes, or resells the goods or services in this State.

Examples of Property, Services, or Contracting That You Do Not Report

- Temporary use property that will be kept in the State for less than a year, such as construction equipment that will be removed upon completion of a construction contract. If any property is in Hawaii for a year or less, then it is considered temporarily in Hawaii. Perishable property, or quickly consumable property, does not qualify as temporary use property even if it is not consumed within the State before it spoils.
- Property received solely as a gift. Property purchased at a bargain, even from a friend or relative, does not qualify for this exclusion.
- Articles that are examined and then returned, such as goods that are returned after a trial period.
- Goods that are imported by the owner of vessels engaged in interstate commerce and that are used as ship stores for the vessels.
- Household goods, personal effects, and private automobiles if the person importing them into the State (A) acquired them outside Ha-

waii, (B) acquired them while the person was not a Hawaii resident, (C) acquired them for use outside Hawaii, and (D) made actual and substantial use of them outside Hawaii. An article that was acquired less than three months before importation to Hawaii is presumed to have been purchased for use within Hawaii, and, therefore, is presumed not to qualify for this exclusion.

- Newspapers, magazines, and other periodical publications purchased on a subscription plan that qualify for the second class mail rate.
- Property other than tangible personal property. This includes currency, stocks, bonds, patents, licenses, and other intangible property.
- Property, services, or contracting that have been previously subject to the Hawaii use tax.
- Property, services, or contracting purchased from a seller who was subject to the GET upon a sale or transfer of the property, services or contracting to the user.
- Services imported for resale to a foreign customer located outside the State, where the customer will use, consume, or resale the service outside the State.
- Aircraft that is kept solely for renting to lessees using the aircraft for commercial transportation of passengers or goods.
- Oceangoing vessels that are used by a public service company to provide transportation from one point in the State to another.
- The acquisition or importation of aircraft or aircraft engines by a lessee or renter engaged in interstate air transportation.

GENERAL EXCISE/USE TAX ACTIVITY CLASSIFICATIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES UNLESS OTHERWISE NOTED)

PART I — GENERAL EXCISE and USE TAXES @ ½ OF 1% (.005)

Wholesaling

Wholesaling means any of the following activities:

- (1) Selling tangible personal property to a licensed wholesaler, retailer, or other person who resells the property and does not use or consume it. For sales of tangible personal property to a service provider or to a person furnishing transient accommodations, see paragraph (8).
- (2) Selling material or commodities to a licensed manufacturer, if the manufacturer incorporates that property into a finished or saleable product, the incorporated property remains perceptible to the senses in the product, and the manufacturer sells the product.
- (3) Selling material or commodities to a licensed producer or a cooperative association, if the producer or co-op incorporates that property into a finished or saleable product, and the producer or co-op sells the product. This classification includes selling material or

commodities that are essential to the planting, growth, nurturing, and production of agricultural, aquacultural, or natural resource products.

- (4) Selling material or commodities to a licensed contractor, if the contractor incorporates that property into a finished work or project required by the contract, and the incorporated property remains perceptible to the senses in the finished work or project.
- (5) Selling poultry feed, animal feed, hatching eggs, semen, replacement stock, or breeding services to a licensed producer or a cooperative association, if the producer or co-op sells the finished or saleable products raised or nurtured. This classification does not apply to feed for poultry or animals to be used for hauling, transportation, or sports purposes.
- (6) Selling seed or seedstock for producing agricultural and aquacultural products, or bait for catching fish (including catching bait for catching fish), to a licensed producer or a cooperative association, if the producer or co-op sells the finished or saleable products

raised or caught, or incorporates them into a manufactured product.

- (7) Selling polypropylene shade cloth, polyfilm, or polyethylene film; cartons and other containers to package eggs, fruits, vegetables, and other agricultural and aquacultural products; seedlings and cuttings to produce nursery plants; or aquacultural products or chick containers to a licensed producer or a cooperative association, if the producer or co-op sells the finished or saleable products raised or nurtured.
- (8) Selling tangible personal property to a licensed service provider or to a person furnishing transient accommodations, where: (A) the tangible personal property is sold upon the order or request of a licensed seller for the purpose of rendering a service in the course of the person's service business or calling, or upon the order or request of a person subject to tax under section 237D-2, for the purpose of furnishing transient accommodations; (B) the tangible personal property becomes or is used as an identifiable element of the service rendered; and (C) the

cost of the tangible personal property does not constitute overhead to the licensed seller.

- (9) Selling capital goods which have a depreciable life to a licensed leasing company which then leases them to its customers.
- (10) Selling bulk condiments or single-serving packets of condiments to a licensed retail merchant, jobber, or other licensed seller for use by their customers.
- (11) Selling tangible personal property (including disposable nonreturnable containers, packages, or wrappers, in which a product is contained and that are generally known and most commonly used to contain food or beverage for delivery or transfer) to a licensed retail merchant, jobber, or other licensed seller where it will be incorporated or processed into the finished or saleable product during the course of its preparation to market.
- (12) Selling amusements subject to taxation under section 237-13(4), to a licensed seller engaging in business or calling whenever: (A) either: (i) in the context of an amusement-to-service transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling; (ii) in the context of an amusement-to-tangible personal property transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of selling tangible personal property; or (iii) in the context of an amusement-to-amusement transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another amusement in the course of the person's amusement business; (B) the benefit of the amusement passes to the customer of the licensed seller as an identifiable element of the other service, tangible personal property to be sold, or amusement; (C) the cost of the amusement does not constitute overhead to the licensed seller; (D) the gross income of the licensed seller is not divided between the licensed seller and another licensed seller, person furnishing transient accommodations, or person rendering an amusement for imposition of tax under chapter 237, HRS; (E) the gross income of the licensed seller is not subject to a deduction under chapter 237, HRS; and (F) the resale of the service, tangible personal property, or amusement is subject to the tax imposed under chapter 237, HRS, at the highest rate.
- (13) Selling magazines or printed materials containing advertisements by a printer to a publisher where the publisher is under contract with the advertisers to distribute a minimum number of magazines or similar printed materials to the public or defined segment of the public, whether or not there is a charge to the persons who actually receive the magazines or similar printed materials.

For specific legal requirements applicable to each of these classifications, see section 237-4, and the Hawaii Administrative Rules (HAR) under that section. A wholesaler may wish to document its status with respect to specific transactions by getting resale certificates from its clients. For specific requirements applicable to resale certificates, see section 18-237-13-02(d), HAR.

Manufacturing

NOTE: Sugar processing and pineapple canning should be reported on this line.

Manufacturing includes compounding, canning, preserving, packing, printing, publishing, milling, processing, refining, or otherwise preparing an article for sale, profit, or commercial use. Service providers that mill sugar cane, or mill sugar cane along with harvesting cane, hauling cane, or maintaining roads under a contract with a cane

planter, should report gross receipts from these services on this line. For more information, see section 237-18(c) and (d).

Producing

Producing means the business of raising and producing agricultural products in their natural state, or producing natural resource products, or fishing or aquaculture, for sale or for shipment out of the State. Agricultural products include floricultural, horticultural, viticultural, forestry, nut, coffee, dairy, livestock, poultry, bee, animal, and any other farm, agronomic, or plantation products.

Income received from selling geothermal power should be reported on this line.

Wholesale Services

Sales of services are sales at wholesale whenever:

(1) Either:

- In the context of a service-to-service transaction, a service is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling; including a dealer's furnishing of goods or services to the purchaser of tangible personal property to fulfill a warranty obligation of the manufacturer of the property;
 - In the context of a service-to-tangible personal property transaction, a service is rendered upon the order or request of a licensed seller for the purpose of manufacturing, producing, or preparing tangible personal property to be sold;
 - In the context of a service-to-contracting transaction, a service is rendered upon the order or request of a licensed contractor as defined in section 237-6, for the purpose of assisting that licensed contractor; or
 - In the context of a service-to-transient accommodations rental transaction, a service is rendered upon the order or request of a person subject to tax under section 237D-2, for the purpose of furnishing transient accommodations;
- (2) The benefit of the service passes to the customer of the licensed seller, licensed contractor, or person furnishing transient accommodations;
- (3) The cost of the service does not constitute overhead to the licensed seller, licensed contractor, or person furnishing transient accommodations;
- (4) The gross income of the licensed seller is not divided between the licensed seller and another licensed seller, contractor, or person furnishing transient accommodations for imposition of the general excise tax;
- (5) The gross income of the licensed seller is not subject to a deduction under the General Excise Tax Law or the Transient Accommodations Tax Law; and
- (6) The resale of the service, tangible personal property, contracting, or transient accommodations is subject to the general excise tax at the highest tax rate.

If you are a service provider that mills or produces products under a contract with a manufacturer, you also should report your gross income from that activity on this line. For more information, see section 237-18(c).

Use Tax on Imports for Resale

Report in Column a the landed value of all tangible personal property or services imported for resale or for lease or rent, and deduct in Column b the value of the tangible personal property or services imported for resale at wholesale. If you

import tangible personal property for resale at wholesale only, this line need not be completed.

A licensed manufacturer (see the instructions for Manufacturing), will report in Column a the landed value of all materials, services and commodities which are imported and incorporated into a manufactured product such that they remain perceptible to the senses in the finished or saleable product, and deduct in Column b the value of the materials, services and commodities imported and incorporated into a manufactured product which are subsequently sold at wholesale. If all materials, services and commodities are imported and incorporated into a manufactured product which is subsequently sold at wholesale, this line need not be completed.

If the imported materials, services and commodities do not remain perceptible to the senses in the finished product, their value must be reported on Use Tax on Imports For Consumption rather than on this line.

A licensed contractor (see the instructions for Contracting), will report in Column a the landed value of all materials or services which are imported and incorporated into a finished work or project required by the contract such that they remain perceptible to the senses in the finished work or project. If the imported materials or services do not remain perceptible to the senses in the finished work or project, their value must be reported on Use Tax on Imports For Consumption rather than on this line.

Because you may not know whether the property or services imported will be sold at wholesale or retail at the time it is imported, you can do one of two things. First, you may report the value of all imports and pay use tax at 0.5%, and when you later know how much is sold at wholesale you may file an amended return and claim a refund of the appropriate amount of use tax you paid.

Second, you may choose one of four methods to compute the landed value of property imported for sale at wholesale. These methods are the direct cost method, the percentage of wholesale sales to total sales method, the gross profit percentage method, and any other method that correctly reflects your tax liability if it is first approved by the Department. See section 18-238-2, HAR, or the Department's publication entitled "An Introduction to the Use Tax," for more information and examples of these methods. One method must be used consistently between accounting periods unless the Department permits a change of method.

Use Tax Offset

A use tax offset may be claimed for taxes paid to another state on property, services or contracting imported into the State for resale. See the instructions under the *Use Tax and General Excise Tax Offset* section on page 6 for more information.

Business Activities of Disabled Persons

Report in Column a the gross income earned by the disabled person. As an exemption, report in Column b the first \$2,000 of gross income earned by the disabled person from all activities combined. The net amount in Column c (Column a minus Column b) is subject to the GET at 0.5%.

PART II — GENERAL EXCISE AND USE TAXES @ 4% (.04)

Retailing

Persons who sell tangible personal property and who do not qualify for wholesale treatment report their gross sales here. Examples include sales to a retailer who uses rather than resells the goods sold, sales to an unlicensed seller, and sales to consumers.

Services Including Professional

Service providers, including those providing professional and transportation services, report their gross income on this line. A director, executor, trustee, or fiduciary is considered to be engaging in a profession if the person serves in four or more such capacities, or receives more than \$1,200, in a taxable year.

The sale of services to the federal government by a service provider, including any tangible personal property furnished with the services rendered, is taxable. The tangible personal property furnished in the performance of services is subject to the tax even if the tangible personal property is separately stated or billed.

Technicians who supply dentists or physicians with dentures, orthodontic devices, braces, and similar items for the dentists' or physicians' patients report their gross sales from this activity on Wholesaling rather than on this line. (Section 237-15.)

Businesses that generate electric power and sell it to a public utility report their gross sales from this activity on Producing rather than on this line.

Contracting

Contractors report on this line. A contractor means:

- (1) A person engaging in the business of contracting to erect, construct, repair, or improve buildings or structures, of any kind or description, or to make, construct, repair, or improve any highway, road, street, sidewalk, ditch, excavation, fill, bridge, shaft, well, culvert, sewer, water system, drainage system, dredging or harbor improvement project, electric or steam rail, lighting or power system, transmission line, tower, dock, wharf, or other improvements;
- (2) An architect, professional engineer, land surveyor, or landscape architect; or
- (3) A pest control operator or fumigator.

Theater Amusement and Broadcasting

Income from operating a theater, opera house, vaudeville, amusement park, dance hall, skating rink, broadcasting station, or any other place where amusements are offered to the public, is reported on this line.

Commissions

A commission is the compensation of an agent, factor, broker, or bailee, usually calculated as a percentage on the amount of the transactions or on the profit to the principal. Note that if an agent receives commissions and then shares it with subagents, the amounts paid to the subagents generally are NOT deductible by the agent.

Transient Accommodations Rentals

This line is used to report gross rentals that are also taxed under the Transient Accommodations Tax Law, Chapter 237D, HRS. Charges to transients that are not rentals, such as cancellation fees, charges for food and beverage, and service charges should be reported on other lines.

Other Rentals

This line is used to report gross rentals that are not also taxed under the Transient Accommodations Tax Law, Chapter 237D, HRS, such as long-term rentals, equipment rentals, and all other types of lease or rental agreements.

Interest and All Others

Interest and gross income from business activities not mentioned in the list above, excluding insurance commissions, are reported here.

Interest is reported on this line if it is earned by a person engaged in the business of lending money, such as a department store that charges interest on revolving charge accounts, or if the interest is earned from the investment of business capital. Unless the recipient can clearly show otherwise, all interest that is earned by for-profit corporations or partnerships (including unincorporated business associations such as a hui), and all interest that is earned in a business account of a sole proprietorship, estate, or trust, must be reported on this line. For more information, see TIR Nos. 42-74 and 94-1.

Examples of gross income from business activities not mentioned in the list above are: sales of advertising space in a publication, royalties, payments received in exchange for a covenant not to compete, or insurance proceeds to replace gross income that would have been subject to the tax if earned.

General Excise Tax Offset

A GET offset may be claimed for taxes paid to another state on property, services or contracting imported into the State for resale. See the instructions under the *Use Tax and General Excise Tax Offset* section on this page for more information.

Use Tax on Imports For Consumption

All property, services, or contracting that are imported by any person without a GET license is reported here, unless an exemption applies. A use tax offset may be claimed for taxes paid to another state on property, services or contracting imported into the State for resale. See the instructions under the *Use Tax and General Excise Tax Offset* section on this page for more information.

All other property, services, or contracting that do not qualify for exemption or reporting on the line for Use Tax on Imports For Resale is reported here. For example, the landed value of polishing compounds which a manufacturer imports and consumes in the manufacturing process is reported on this line since the polishing compounds do not remain perceptible to the senses in the finished product.

PART III — Insurance Commissions @ 0.15%

Persons licensed under Chapter 431, HRS, as an insurance producer report their insurance commissions in this Part.

PART IV — City & County of Honolulu Surcharge @ 0.5%

Use this Part to report Oahu **taxable** income that is subject to the 0.5% City & County of Honolulu surcharge.

USE TAX AND GENERAL EXCISE TAX OFFSET

Use Tax on Imports For Resale and Use Tax on Imports For Consumption

Column b

A use tax and GET offset may be claimed for taxes paid to another state on property, services or contracting imported into the State for resale.

CAUTION: *Taxes paid for manufacturing, extraction, and the like, as well as license fees or trans-*

fer taxes, MAY NOT be taken as a credit against Hawaii use taxes due.

The following steps should be taken to claim the offset when reporting the use tax on the Forms G-45 and G-49.

Offset the use tax:

- Step 1— Enter the value of the imported property in Column a of Use Tax on Imports For Resale or Use Tax on Imports for Consumption, as applicable, and determine the exact amount of use tax due on that property.
- Step 2— Compare the use tax due (Step 1) with the sales or use tax paid to another state on that property. Divide the LESSER of the two amounts by the applicable tax rate, and enter the result in Column b.
- Step 3— Subtract Column b from Column a, and enter the result in Column c.

Offset the general excise tax:

- Step 4— Enter the gross income from the sale of the imported property in Column a of the applicable line, and determine the exact amount of GET due on that property.
- Step 5— Subtract the use tax due on that property (Step 1) from the sales or use tax paid to another state on that item.
- Step 6— Compare the GET due (Step 4) with the remaining sales or use tax paid (Step 5). Divide the LESSER of the two amounts by 0.005 or 0.04, as applicable, and enter the result in Column b.
- Step 7— Subtract Column b from Column a, and enter the result in Column c.

EXAMPLE

Taxpayer A purchases widgets in State X on which \$125 of sales tax is paid, and imports the widgets into Hawaii for resale at retail. The landed value of the widgets is \$1,500, and they are sold at retail for \$2,700.

- Step 1— $\$1,500 \times 0.005 = \7.50
Step 2— $\$7.50 \div 0.005 = \$1,500$
Step 3— $\$1,500 - \$1,500 = \$0$
Step 4— $\$2,700 \times 0.04 = \108
Step 5— $\$125 - \$7.50 = \$117.50$
Step 6— $\$108 \div 0.04 = \$2,700$
Step 7— $\$2,700 - \$2,700 = \$0.00$

STEP-BY-STEP INSTRUCTIONS FOR FILLING IN YOUR FORM G-45 (PERIODIC RETURN)

(The circled numbers in the figures correspond to the steps in the instructions.)

A periodic general excise/use tax return (Form G-45), including an amended return, can be filed and payment made electronically through the State's Internet portal. For more information, go to www.ehawaii.gov/efile.

About this Form

Form G-45 is designed for electronic scanning that permits faster processing with fewer errors. In order to avoid unnecessary delays caused by manual processing, taxpayers should follow the guidelines listed below:

1. Print amounts only on those lines that are applicable.
2. Use only a black or dark blue ink pen. Do not use red ink, pencil, or felt tip pens.
3. Because this form is read by a machine, please print your numbers inside the boxes like this:

1	2	3	4	5	6	7	8	9	0	X
---	---	---	---	---	---	---	---	---	---	---

4. Do NOT print outside the boxes.
5. Fill in ovals completely. Do not ✓ or ✗ the ovals.
6. Do NOT enter cents. All numbers that are required to be rounded to the nearest dollar should **NOT** be printed over the zeros used to designate cents.
7. Do NOT use dollar signs, slashes, dashes or parentheses in the boxes.

8. It is highly recommended that you print a new form from our website (tax.hawaii.gov) each time you need it. The form's barcode is necessary to process the return. Excessive photocopying of a photocopy will degrade the barcode, and the barcode will become unreadable.

Rounding to Whole Dollars in Columns a, b, and c

The Department is requiring taxpayers to round off cents to the nearest whole dollar for all dollar entries in Columns a, b, and c. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example: \$1.49 becomes \$1 and \$2.50 becomes \$3. If you have to add two or more amounts to figure the amount to enter in the column, include the cents when adding and round off only the total.

CAUTION: DO NOT enter the cents in Columns a, b, and c. The system will read all numbers entered as whole dollar amounts.

When Form G-45, Column b is Greater Than Column a

In the event that your exemptions/deductions (Column b) for the period exceeds your gross income (Column a), it is highly recommended that you enter an amount in Column b that is equal to but not more than Column a. The remainder of the available exemption/deduction would then be reported on the subsequent period's Form G-45. You are unable to claim a refund for the amount that results in a negative tax consequence on the periodic return.


FORM G-45 (Rev. 2008)		STATE OF HAWAII — DEPARTMENT OF TAXATION		DO NOT WRITE IN THIS AREA	
		GENERAL EXCISE/USE TAX RETURN		<div style="border: 1px solid black; padding: 10px; text-align: center; font-size: 2em;">10</div>	
GBC081					
<input type="radio"/> Fill in this oval ONLY if this is an AMENDED return					
<div>① <input checked="" type="radio"/> Month <input type="radio"/> Quarter <input type="radio"/> Semiannual</div>					
PERIOD ENDING (MM/YY)		03 / 14		NAME: Aloha, Mary	
HAWAII TAX I.D. NO.		③ W 1 2 3 4 5 6 7 8		④ 0 1 Last 4 digits of your FEIN or SSN 4 3 2 1	
BUSINESS ACTIVITIES	Column a VALUES, GROSS PROCEEDS OR GROSS INCOME	Column b EXEMPTIONS/DEDUCTIONS (Attach Schedule GE)	Column c TAXABLE INCOME (Column a minus Column b)		

Figure 1. Top of the Return

THE TOP OF THE TAX RETURN (Figure 1)

Step 1 — Fill in (darken) the appropriate oval to indicate your filing frequency and complete the filing period information with the appropriate numeric (two digit) month and year for the last month of your filing period (e.g., Month of January 2014 = 01/14; Quarterly Period of January through March 2014 = 03/14; Semiannual Period of January through June 2014 = 06/14).

Step 2 — Write your name here. Individuals, write your last name first.

Step 3 — Enter your Hawaii Tax I.D. No. in the area provided.

Step 4 — Enter the last 4 digits of your FEIN or SSN.

Mary Aloha files quarterly returns so she darkens the "QUARTER" oval to indicate her filing frequency. Mary enters 03/14 for the numeric month and year for the last month of her filing period.

	Column a BUSINESS ACTIVITIES	Column a VALUES, GROSS PROCEEDS OR GROSS INCOME	Column b EXEMPTIONS/DEDUCTIONS (Attach Schedule GE)	Column c TAXABLE INCOME (Column a minus Column b)
PART I - GENERAL EXCISE and USE TAXES @ ½ OF 1% (.005)				
DER HERE •	1. Wholesaling	<input type="text"/>	<input type="text"/>	<input type="text"/> Neg <input type="checkbox"/>
	2. Manufacturing	5 <input type="text"/>	6 <input type="text"/>	7 <input type="text"/> Neg <input type="checkbox"/>
	3. Producing	<input type="text"/>	<input type="text"/>	<input type="text"/> Neg <input type="checkbox"/>

Figure 2. How to Fill in the Columns for General Excise Taxes

PART I — GENERAL EXCISE TAXES @ ½ OF 1% (.005) (Figure 2)

NOTE: Sugar processing and pineapple canning should be reported under the “Manufacturing” activity.

Step 5 — Enter the gross income from your business activity(ies) in Column a on the appropriate business activity line(s). If you did not derive any income from your business activity during this period, enter zero (0) on the applicable line(s).

If a promoter, a contractor, or other person withheld general excise or use tax and paid it to the Department on your behalf, do not enter the amount paid or the income on which tax was withheld. These amounts will, however, need to be included on your annual reconciliation return.

Step 6 — If you have allowable exemptions/deductions, enter the total in Column b on the appropriate business activity line(s). If you do not have any exemptions/deductions, enter zero (0) on the

applicable line(s). IF Column b is more than Column a, see “When Form G-45, Column b is Greater Than Column a” on page 7.

If you are claiming exemptions/deductions in Column b, complete Schedule GE (Form G-45/G-49), General Excise/Use Tax Schedule of Exemptions and Deductions.

Please see the schedules of exemptions and deductions contained in these instructions for more information.

IMPORTANT: Most deductions allowed on net income tax returns (e.g., operating expenses or cost of goods sold) are NOT deductible on the GET returns.

Step 7 — For each activity you engage in, subtract Column b from Column a and enter the result in Column c, Taxable Income. If the result is zero, enter zero (0).

All Others	<input type="text"/>	<input type="text"/>	<input type="text"/>
16. Use Tax on Imports For Consumption	8 <input type="text"/>	9 <input type="text"/>	10 <input type="text"/> Neg <input type="checkbox"/>

Figure 3. How to Fill in the Columns for Use Taxes

USE TAXES @ ½ OF 1% (.005) (Figure 3)

Step 8 — Enter the landed value of tangible personal property, services, or contracting imported into Hawaii in Column a.

Step 9 — If you have allowable exemptions/deductions, enter the total in Column b. If you do not have any exemptions/deductions, enter zero (0). IF Column b is more than Column a, see “When Form G-45, Column b is Greater Than Column a” on page 7.

A use tax and GET offset may be claimed for taxes paid to another state on property, services, or contracting imported into the State for resale.

CAUTION: Taxes paid for manufacturing, extraction, and the like, as well as license fees or transfer taxes, MAY NOT be taken as a credit against Hawaii use taxes due.

The following steps should be taken to claim the offset when reporting the use tax on the Forms G-45 and G-49.

Offset the use tax:

Step A— Enter the value of the imported property in Column a of Use Tax on Imports For Resale or Use Tax on Imports for Consumption, as applicable, and determine the exact amount of use tax due on that property.

Step B— Compare the use tax due (Step A) with the sales or use tax paid to another state on that property. Divide the LESSER of the two amounts by the applicable tax rate, and enter the result in Column b.

Step C— Subtract Column b from Column a, and enter the result in Column c.

Offset the general excise tax:

Step D— Enter the gross income from the sale of the imported property in Column a of the applicable line, and determine the exact amount of the GET due on that property.

Step E— Subtract the use tax due on that property (Step A) from the sales or use tax paid to another state on that item.

Step F— Compare the GET due (Step D) with the remaining sales or use tax paid (Step E). Divide the LESSER of the two amounts by 0.005 or 0.04, as applicable, and enter the result in Column b.

Step G— Subtract Column b from Column a, and enter the result in Column c.

EXAMPLE

Taxpayer A purchases widgets in State X on which \$125 of sales tax is paid, and imports the widgets into Hawaii for resale at retail. The landed value of the widgets is \$1,500, and they are sold at retail for \$2,700.

Step A— $\$1,500 \times 0.005 = \7.50

Step B— $\$7.50 \div 0.005 = \$1,500$

Step C— $\$1,500 - \$1,500 = \$0$

Step D— $\$2,700 \times 0.04 = \108

Step E— $\$125 - \$7.50 = \$117.50$

Step F— $\$108 \div 0.04 = \$2,700$

Step G— $\$2,700 - \$2,700 = \$0.00$

Step 10 — Subtract Column b from Column a, and enter the result in Column c. This is the taxable value.

BUSINESS ACTIVITIES	Column a VALUES, GROSS PROCEEDS OR GROSS INCOME	Column b EXEMPTIONS/DEDUCTIONS (Attach Schedule GE)	Column c TAXABLE INCOME (Column a minus Column b)
PART III - INSURANCE COMMISSIONS @ .15% (.0015)			
18. Insurance Commissions	<input type="text"/> 19 <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/>	<input type="text"/> 20 <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/>	<input type="text"/> 21 <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> Neg <input type="checkbox"/>
			Enter this amount on line 23, Column (a)
PART IV - CITY & COUNTY OF HONOLULU SURCHARGE TAX @ ½ OF 1% (.005)			
19. Oahu Surcharge	23 <input type="text"/> <input type="text"/> <input type="text"/> 15 4 50 <input type="text"/> <input type="text"/>	24 <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 0 <input type="text"/> <input type="text"/>	25 <input type="text"/> <input type="text"/> <input type="text"/> 15 4 50 <input type="text"/> <input type="text"/> Neg <input type="checkbox"/>
			Enter this amount on line 24, Column (a)

- If you did business in only the Oahu District, enter the amount from Form G-45, Part II, line 17, Column c.
- If you did business in more than one District, including the Oahu District, enter the amount from Form G-75, Part II, Column a, line 17, Oahu District Taxable Income.

Step 24 — If you have allowable County Surcharge exemptions/deductions, enter the total in Column b. If you do not have any exemptions/deductions, enter zero (0).

Allowable County exemptions/deductions include:

- The **additional** sublease deduction from Form G-72, line 6:

PART V — SCHEDULE OF ASSIGNMENT OF TAXES BY DISTRICT *(Figure 9)*

Figure 9. Completing the Schedule of Assignment of Taxes By District

- Step 27** — If you did not have any activity for the period, darken the oval for your District. Otherwise:

- 1) IF you did business only in the OAHU District, darken the oval "Oahu".
- 2) IF you did business in only ONE District OTHER THAN Oahu, darken the oval for that taxation district.

Mary must complete the Schedule of Assignment of Taxes By District. She darkens the oval for Oahu since she did business only in the Oahu District.

PART VI — TOTAL PERIODIC RETURN (Figure 10)

GET on Insurance Commissions @ .15% (.0015) due. If the result is zero, enter "0.00".

Step 29 — Multiply the taxable income amount on line 22, Column (a) by the tax rate of .04 (line 22, Column (b)) and enter the result, *including the cents*, on line 22, Column (c). The result is the General Excise and Use Taxes @ 4% (.04) due. If the result is zero, enter "0.00"

Step 30 — Multiply the taxable income amount on line 23, Column (a) by the tax rate of .0015 (line 23, Column (b)) and enter the result, *including the cents*, on line 23, Column (c). The result is the

PART VI - TOTAL PERIODIC RETURN		TAXABLE INCOME Column (a)	TAX RATE Column (b)	TOTAL TAX Column (c) Column (a) X Column (b)
21. Enter the amount from Part I, line 7	\$	14 15,450.00	x .005	= \$ 28 618.00
22. Enter the amount from Part II, line 17	\$	16 15,450.00	x .04	= \$ 29 618.00
23. Enter the amount from Part III line 18, Column c...	\$	21 .00	x .0015	= \$ 30 .00
24. Enter the amount from Part IV, line 19, Column c...	\$	25 15,450.00	x .005	= \$ 31 77.25
25. TOTAL TAXES DUE. Add column (c) of lines 21 through 24 and enter result here. If you did not have any activity for the period, enter "0.00" here 25.				
26. Amounts Assessed During the Period..... (For Amended Return ONLY) PENALTY \$ 26. INTEREST \$ 26.				
27. TOTAL AMOUNT. Add lines 25 and 26..... 27.				
28. TOTAL PAYMENTS MADE FOR THE PERIOD (For Amended Return ONLY)..... 28.				
29. CREDIT TO BE REFUNDED. Line 28 minus line 27 (For Amended Return ONLY) 29.				
30. ADDITIONAL TAXES DUE. Line 27 minus line 28 (For Amended Return ONLY) 30.				
31. FOR LATE FILING ONLY → PENALTY \$ 31. INTEREST \$ 31.				
32. TOTAL AMOUNT DUE AND PAYABLE (Original Returns, add lines 27 and 31; Amended Returns, add lines 30 and 31) 32.				
33. PLEASE ENTER THE AMOUNT OF YOUR PAYMENT. Attach a check or money order payable to "HAWAII STATE TAX COLLECTOR" in U.S. dollars to Form G-45. Write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order. Mail to: HAWAII DEPARTMENT OF TAXATION, P. O. BOX 1425, HONOLULU, HI 96806-1425 or file and pay electronically at www.ehawaii.gov/efile . If you are NOT submitting a payment with this return, please enter "0.00" here. 33.				
34. GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED. (Attach Schedule GE) If Schedule GE is not attached, exemptions/deductions claimed will be disallowed..... 34.				

Figure 10. Completing the Periodic Return (Form G-45)

On line 22, Column (a), Mary enters \$15,450, which is the amount from Part II, line 17. In Column (c), Mary multiplies \$15,450 by the tax rate of .04 and enters \$618.00 in Column (c).

On line 24, Column (a), Mary enters \$15,450, which is the amount from Part IV, line 19, Column c. In Column (c), Mary multiplies \$15,450 by the tax rate of .005 and enters \$77.25 in Column (c).

Mary adds lines 22 and 24 and enters the result, \$695.25, on line 25.

CAUTION: LINE 25 MUST BE FILLED IN. If you did not have any activity for the period, enter "0.00" here.

Step 33 — Leave line 26 blank (to be used for Amended Returns ONLY).

Step 34 — Enter the amount from line 25 on line 27, "TOTAL AMOUNT".

Step 35 — Leave line 28 blank (to be used for Amended Returns ONLY).

Step 36 — Leave line 29 blank (to be used for Amended Returns ONLY).

Step 37 — Leave line 30 blank (to be used for Amended Returns ONLY).

Step 38 — If you file a tax return after the due date, and if there is tax due on the return, then you must compute penalty and interest charges. After computing the amounts, enter the results to the right of "PENALTY \$" and "INTEREST \$" and enter the total of the two amounts on line 31.

If you need help computing the penalty and interest, please call the Taxpayer Services Branch for assistance at 808-587-4242 or toll-free 1-800-222-3229; or leave these lines blank, and the Department will compute the charges for you and send you a bill.

Step 39 — Add the amounts on lines 27 and 31, and enter the "TOTAL AMOUNT DUE AND PAYABLE" on line 32.

Step 40 — **NOTE:** If you are NOT submitting a check with your return, enter "0.00" on line 33.

Write the "AMOUNT OF YOUR PAYMENT", including any penalty and interest, on line 33. Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank where indicated on the front of the return. Write "GE", the filing period, your Hawaii Tax I.D. No., and your daytime phone number on your check or money order.

Send your check or money order and Form G-45 to:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425

DO NOT SEND CASH. Form G-45, including an amended return, can also be filed and payment made electronically at www.ehawaii.gov/efile.

Step 41 — If you have claimed any exemptions/deductions for the period, be sure you have attached a completed Schedule GE (Form G-45/G-49), General Excise/Use Tax Schedule of Exemptions and Deductions, and enter the "GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED" from Schedule GE (Form G-45/G-49) on line 34.

Step 42 — Sign your name and write your title and the date in the spaces provided on page 1 of the Form G-45 (see Figure 6).

IMPORTANT: Please fill in each column of your business activity(ies) with a dollar amount or zero (0) or processing errors will result. Also, write "GE", the filing period (e.g., January 2014; January - March 2014; January - June 2014), your Hawaii Tax I.D. No., and your daytime phone number on your check or money order so it will be properly credited if it is accidentally separated from your tax return.

INSTRUCTIONS FOR FILING AN AMENDED FORM G-45

If you file your Form G-45 and later become aware of any changes you must make to reported income and/or exemptions/deductions, you may file an amended return on Form G-45 to change the Form G-45 you already filed.

Do **NOT** file an amended Form G-45 if the General Excise/Use Tax Annual Return & Reconciliation, Form G-49, has already been filed for the tax year.

Complete your amended Form G-45 as follows:

1. Darken the oval at the top of page 1 of Form G-45 to designate that this is an amended return (see Figure 1).
2. Enter the correct amounts of values, gross proceeds or gross income, exemptions/deductions, taxable income, and taxes due which should have been reported on the original Form G-45. Follow Steps 1 through 32 to complete your amended Form G-45. (**Note:** Entries which were correctly reported on the original Form G-45 also must be entered on the appropriate line(s). **Failure to do so will result in a change from the correct amount to -0-.**)
3. As of the date the amended Form G-45 is filed, enter on line 26 the amounts of any penalty and/or interest assessed for the period. Penalty and interest are generally assessed because the original return was filed after the filing deadline or because the taxes due were not paid in full by the filing deadline.
4. Enter on line 28 the total amount of taxes, additional assessments, and penalty and/or interest paid less any refunds received for the period. Include payments made with the original Form G-45 as well as any supplemental payments made after the original Form G-45 was filed. REMINDER: Payments are applied first to recover costs incurred by the Department, then to any interest due, then to penalties, and finally, to taxes.
5. If line 27 is LESS THAN line 28, subtract line 27 from line 28 and enter the result on line 29, "CREDIT TO BE REFUNDED".
6. If line 27 is MORE THAN line 28, subtract line 28 from line 27 and enter the result on line 30, "ADDITIONAL TAXES DUE".
7. If the amended Form G-45 is being filed after the due date of the original Form G-45, and if there is an amount entered on line 30, enter on line 31 the amount of any penalty and/or interest now due. On a timely filed original Form G-45, a penalty of 20% of the tax due will be assessed if any tax remains unpaid after 60 days from the prescribed due date of the original Form G-45. The 60-day period is calculated beginning with the prescribed

due date, even if the prescribed due date falls on a Saturday, Sunday, or legal holiday. This penalty is applicable to amended Form G-45s for timely filed original Form G-45s. Interest at the rate of 2/3 of 1% per month or part of a month shall be assessed on unpaid taxes and penalties assessed beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on Saturday, Sunday, or legal holiday.

8. Add lines 30 and 31 and enter the total on line 32, "TOTAL AMOUNT DUE AND PAYABLE".
9. Enter on line 33 the amount of any payment being made with the amended Form G-45. If the amended Form G-45 is being filed after the due date of the original Form G-45, include any additional penalty and interest in your payment. Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank where indicated on the front of the amended Form G-45. Write "GE", the filing period, your Hawaii Tax I.D. No., and your daytime phone number on your check or money order.

Send your check or money order and amended Form G-45 to:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425

DO NOT SEND CASH. An amended Form G-45 can also be filed and payment made electronically at www.ehawaii.gov/efile.

10. If any exemptions/deductions are claimed, complete and attach Schedule GE to the amended Form G-45. The amount and type of exemptions/deductions claimed must be completed even if reported correctly on the original Form G-45 filed.
11. Enter the total of all exemptions/deductions reported on Schedule GE on line 34.
12. Sign your name and write your title and date in the spaces provided on page 1 of the amended Form G-45 (see Figure 5).

IMPORTANT: Please fill in each column of your business activity(ies) with a dollar amount or zero (0) or processing errors will result. Also, write "GE", the filing period (e.g., January 2014; January - March 2014; January - June 2014), your Hawaii Tax I.D. No., and your daytime phone number on your check or money order, if applicable, so that it may be properly credited if it is accidentally separated from the tax return.

REMINDER!!!

GENERAL EXCISE/USE TAX ANNUAL RETURN AND RECONCILIATION MUST BE FILED.

Section 237-33, HRS, requires every taxpayer to file a General Excise/Use Annual Return and Reconciliation. This return is used by the taxpayer to reconcile their account for the entire year. It is, for the most part, a simple summary of business conducted in the past calendar or fiscal year, whichever is applicable. If the periodic returns were completed correctly and the taxes due paid in full, the total taxes due (line 25) will, in many cases, be the same as the total payments made less any refunds received for the tax year (line 28) and no additional tax will be due. DO NOT confuse this Annual Return and Reconciliation with the Net Income Tax Return.

STEP-BY-STEP INSTRUCTIONS FOR FILLING IN YOUR FORM G-49 (ANNUAL RETURN AND RECONCILIATION)

(The circled numbers in the sample below correspond to the steps in the instructions on the following pages.)

The annual general excise/use tax return (Form G-49), including an amended return, can be filed and payment made electronically through the State's Internet portal. For more information, go to www.ehawaii.gov/efile.

About this Form

Form G-49 is designed for electronic scanning that permits faster processing with fewer errors. In order to avoid unnecessary delays caused by manual processing, taxpayers should follow the guidelines listed below:

1. Print amounts only on those lines that are applicable.
2. Use only a black or dark blue ink pen. Do not use red ink, pencil, or felt tip pens.
3. Because this form is read by a machine, please print your numbers inside the boxes like this:

1 2 3 4 5 6 7 8 9 0 X

4. Do NOT print outside the boxes.
5. Fill in ovals completely. Do not ✓ or ✕ the ovals.
6. Do NOT enter cents. All numbers that are required to be rounded to the nearest dollar should **NOT** be printed over the zeros used to designate cents.
7. Do NOT use dollar signs, slashes, dashes or parentheses in the boxes.

8. It is highly recommended that you print a new form from our website (tax.hawaii.gov) each time you need it. The form's barcode is necessary to process the return. Excessive photocopying of a photocopy will degrade the barcode, and the barcode will become unreadable.

Rounding to Whole Dollars in Columns a, b, and c

The Department is requiring taxpayers to round off cents to the nearest whole dollar for all dollar entries in Columns a, b, and c. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example: \$1.49 becomes \$1 and \$2.50 becomes \$3. If you have to add two or more amounts to figure the amount to enter in the column, include the cents when adding and round off only the total.

CAUTION: DO NOT enter the cents in Columns a, b, and c. The system will read all numbers entered as whole dollar amounts.

When Form G-49, Column b is Greater Than Column a

In the event that your exemptions/deductions (Column b) for the period exceeds your gross income (Column a), enter the result in Column c. Be sure to darken the "Neg" box to the right of the amount field to indicate that the amount is a negative number.

FORM G-49
(Rev. 2008)

STATE OF HAWAII — DEPARTMENT OF TAXATION

**GENERAL EXCISE/USE
ANNUAL RETURN &
RECONCILIATION**

DO NOT WRITE IN THIS AREA **16**

GCC081

☐ Fill in this oval ONLY if this is an AMENDED return

1 YEAR ENDING M M D D Y Y **2** Aloha, Mary

HAWAII TAX I.D. NO. **3** 1 2 3 4 5 6 7 8 — 0 1 Last 4 digits of your FEIN **4** 4 3 2 1

Figure 1. Top of the Return

THE TOP OF THE TAX RETURN (Figure 1)

Step 1 — Enter the numeric (two digit) month, day and year your tax year ends.

Step 2 — Write your name here. Individuals, write your last name first.

Step 3 — Enter your Hawaii Tax I.D. No. in the area provided.

Step 4 — Enter the last 4 digits of your FEIN or SSN.

Mary enters 12/31/14 for the numeric month, day, and year her tax year ends.

Figure 2. How to Fill in the Columns for General Excise and Use Taxes

Step 5 — Enter the gross income from your business activity(ies) in Column a on the appropriate business activity line(s), just as you did on your periodic tax returns, but report the amounts for the entire year.

For example, if you correctly reported \$1,000 in gross income on Wholesaling for both the first and second semiannual periods, then the gross income reported on Wholesaling on the annual return will be \$2,000 (\$1,000 + \$1,000).

If a promoter, a contractor, or other person withheld general excise or use tax and paid it to the Department on your behalf, include the amount of gross income on which the tax was withheld.

Since the annual return is a reconciliation of the “actual” gross income, exemptions/deductions, taxable income, and taxes due with the “reported” figures filed on the periodic returns, entries on the annual return will differ from the periodic returns if an error was made on a periodic return.

Step 6 — If you have allowable exemptions/deductions, enter the total in Column b on the appropriate business activity line(s). If

you do not have any exemptions/deductions, enter zero (0) on the applicable line(s).

As in Step 5, the amounts and types of exemptions/deductions listed will be the sum of the “actual” allowable exemptions/deductions for the entire year.

If you are claiming exemptions/deductions in Column b, complete Schedule GE (Form G-45/G-49), General Excise/Use Tax Schedule of Exemptions and Deductions.

IMPORTANT: Most deductions allowed on net income tax returns (for example operating expenses or cost of goods sold) are NOT deductible on the GET returns.

Step 7 — For each activity you engage in, subtract Column b from Column a, and enter the result in Column c, Taxable Income. If the result is zero, enter zero (0). If the result is a negative amount, be sure to darken the “Neg” box to the right of the amount field to indicate that the amount is a negative number.

Figure 3. How to Fill in the Columns for Business Activities of Disabled Persons and Totaling the Taxable Income Amounts for General Excise and Use Taxes @ 1/2 of 1% (.005)

Step 8 — Certified disabled persons, enter the gross income from your business activity(ies) in Column a, just as you did on your periodic returns, but report the amounts for the entire year.

Step 9 — There is an exemption for the first \$2,000 of gross income earned from all activities combined by any certified disabled person. Enter the total of this exemption plus any other allowable exemptions/deductions in Column b.

As in Step 5 above, the amount and types of exemptions/deductions will be the sum of the “actual” allowable exemptions/deductions for the entire year.

Step 10 — Subtract Column b from Column a, and enter the result in Column c, Taxable Income. If the result is zero, enter zero (0). If the result is a negative amount, be sure to darken the “Neg” box to the right of the amount field to indicate that the amount is a negative number.

Step 11 — Add the taxable income amounts in Part I, Column c. Enter the result on line 7 and on page 2, line 21, Column (a) (see Figures 3 and 8). **Reminder:** This amount is rounded to the nearest dollar.

Step 12 — Follow Step 6 for any amounts claimed in Column b.

Figure 4. How to Fill in the Columns for General Excise and Use Taxes

For these activities, follow Steps 5 through 7, as applicable.

Step 13 — Add the taxable income amounts in Part II, Column c. Enter the result on line 17 and on page 2, line 22, Column (a)

(see Figures 4 and 9). **Reminder:** This amount is rounded to the nearest dollar.

Step 14 — Follow Step 6 for the activities in Part II.

In Column a, line 8, Retailing, Mary enters \$42,875. Mary enters zero in Column b since she is not claiming any exemptions/deductions. In Column c, Mary subtracts Column b from Column a and enters the result, \$42,875.

In Column c, line 17, Mary takes the sum of Column c lines 8 through 16 and enters \$42,875.

17. Sum of Part II, Column c (Taxable Income) — Enter the result here and on Page 2, line 22, Column (a) 13 42 875.00 Neg <input type="checkbox"/>	
DECLARATION - I declare, under the penalties set forth in section 231-36, HRS, that this return (including any accompanying schedules or statements) has been examined by me and, to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith for the tax period stated, pursuant to the General Excise and Use Tax Laws, and the rules issued thereunder.	
IN THE CASE OF A CORPORATION OR PARTNERSHIP, THIS RETURN MUST BE SIGNED BY AN OFFICER, PARTNER OR MEMBER, OR DULY AUTHORIZED AGENT.	
SIGNATURE 41 	TITLE Owner DATE 4/20/2015

Figure 5. Totaling the Taxable Income Amounts for General Excise and Use Taxes @4% (.04) and Signing the Return

FORM G-49 Page 2 of 2 GCC082	Name: <u>Aloha, Mary</u> 15 Hawaii Tax I.D. No. <u>W 12345678 — 01</u> Tax Year Ending <u>12 / 31 / 14</u> Last 4 digits of your FEIN or SSN <u>4 3 2 1</u>
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Figure 6. Top of Page 2

TOP OF PAGE 2 (Figure 6)

Step 15 — Please complete the information at the top of the page as it is entered on page 1 at the top of the return.

At the top of page 2, Mary enters the same information that was entered on page 1 at the top of the return.

PART III — INSURANCE COMMISSIONS @ .15% (.0015) (Figure 7)

Step 16 — Enter your insurance commissions in Column a, just as you did on your periodic tax returns, but report the amount for the entire year.

Step 17 — If you have allowable exemptions/deductions, enter the total in Column b. If you do not have any exemptions/deductions, enter zero (0).

As in Step 5, the amounts and types of exemptions/deductions listed will be the sum of the “actual” allowable exemptions/deductions for the entire year.

Step 18 — Subtract Column b from Column a, and enter the result in Column c, Taxable Income, and on page 2, line 23, Column (a) (see Figures 7 and 9).

Step 19 — Follow Step 6 for any amounts claimed in Column b.

BUSINESS ACTIVITIES	Column a VALUES, GROSS PROCEEDS OR GROSS INCOME	Column b EXEMPTIONS/DEDUCTIONS (Attach Schedule GE)	Column c TAXABLE INCOME (Column a minus Column b)
PART III - INSURANCE COMMISSIONS @ .15% (.0015)			
18. Insurance Commissions	16	17	18
	42 875.00	0.00	42 875.00
Enter this amount on line 23, Column (a)			
PART IV - CITY & COUNTY OF HONOLULU SURCHARGE TAX @ ½ OF 1% (.005)			
19. Oahu Surcharge	20	21	22
	42 875.00	0.00	42 875.00
Enter this amount on line 24, Column (a)			

Figure 7. Calculating the General Excise Tax on Insurance Commissions @ .15% (.0015) and the City & County of Honolulu Surcharge Tax @ 1/2 of 1% (.005)

PART IV — CITY & COUNTY OF HONOLULU SURCHARGE TAX@ ½ OF 1% (.005) (Figure 7)

Step 20 — Enter your Oahu **taxable** income in Column a, just as you did on your periodic tax returns, but report the amount for the entire year.

- If you did business only in the Oahu District, enter the amount from Form G-49, Part II, line 17.
- If you did business in more than one District, including the Oahu District, enter the amount from Form G-75, Part II, Column a, line 17, Oahu District Taxable Income.

Step 21 — If you have allowable County surcharge exemptions/deductions, enter the total in Column b. If you do not have any exemptions/deductions, enter zero (0).

Allowable County exemptions/deductions include:

- The **additional** sublease deduction from Form G-72, line 6;
- The **additional** deduction for wholesale amusements from Form G-81, line 6;
- Amounts of sales assigned to the Oahu Taxation District by a seller who does not have Oahu nexus; and
- Gross receipts received under a written contract entered into before June 30, 2006, which does not allow for the pass-on of an increased rate of tax.

As in Step 5, the amount and types of exemptions/deductions listed will be the sum of the "actual" allowable exemptions/deductions for the entire year.

Step 22 — Subtract Column b from Column a, and enter the result in Column c, Taxable Income, and on page 2, line 24, Column (a) (see Figures 7 and 9).

Step 23 — Follow Step 12 for any amounts claimed on Column b.

Mary must complete line 19 since she conducted business in the Oahu District. On line 19, Column a, Mary enters \$42,875, the amount from line 17, Column c, since she did business in the Oahu District only. Mary enters zero in Column b since she is not claiming any County Surcharge exemptions/deductions and enters \$42,875 in Column c.

Enter this amount on line 24, Column (a)					
PART V — SCHEDULE OF ASSIGNMENT OF TAXES BY DISTRICT (ALL taxpayers MUST complete this Part and may be subject to a 10% penalty for noncompliance.) See Instructions. DARKEN the oval of the taxation district in which you have conducted business. IF you did business in MORE THAN ONE district, darken the oval "MULTI" and attach Form G-75.					
20.	<input checked="" type="radio"/> Oahu	<input type="radio"/> Maui	<input type="radio"/> Hawaii	<input type="radio"/> Kauai	<input type="radio"/> MULTI
					24
PART VI - TOTAL RETURN AND RECONCILIATION					

Figure 8. Completing the Schedule of Assignment of Taxes By District

PART V — SCHEDULE OF ASSIGNMENT OF TAXES BY DISTRICT (Figure 8)

Step 24 — If you did not have any activity for the entire year, darken the oval for your District. Otherwise:

- 1) IF you did business only in the OAHU District, darken the oval "Oahu".
- 2) IF you did business in only ONE District OTHER THAN Oahu, darken the oval for that taxation district.

3) IF you did business in MORE THAN one District, darken the oval "MULTI" and attach Form G-75, Assignment of General Excise/Use Taxes By Districts.

IMPORTANT: ALL taxpayers MUST complete Part V and may be subject to a penalty of 10% of the combined State and county surcharge taxes for noncompliance.

Mary must complete the Schedule of Assignment of Taxes By District. She darkened the oval for Oahu since she did business only in the Oahu District.

PART VI - TOTAL RETURN AND RECONCILIATION		TAXABLE INCOME Column (a)	TAX RATE Column (b)	TOTAL TAX Column (c) = Column (a) X Column (b)
21.	Enter the amount from Part I, line 7	\$ 11 42,875.00	x .005	= \$ 25 214.38
22.	Enter the amount from Part II, line 17	\$ 13 42,875.00	x .04	= \$ 26 1,715.00
23.	Enter the amount from Part III line 18, Column c...	\$ 18 .00	x .0015	= \$ 27 .00
24.	Enter the amount from Part IV, line 19, Column c..	\$ 22 42,875.00	x .005	= \$ 28 214.38
25.	TOTAL TAXES DUE. Add column (c) of lines 21 through 24 and enter result here. If you did not have any activity for the period, enter "0.00" here			29 1,929.38
26.	Amounts Assessed on Periodic Returns.....	PENALTY \$ 30		
27.	TOTAL AMOUNT. Add lines 25 and 26.....			31 1,929.38
28.	TOTAL PAYMENTS MADE LESS ANY REFUNDS RECEIVED FOR THE TAX YEAR			32 1,929.38
29.	CREDIT CLAIMED ON ORIGINAL ANNUAL RETURN. (For Amended Return ONLY).....			33
30.	NET PAYMENTS MADE. Line 28 minus line 29			34 1,929.38
31.	CREDIT TO BE REFUNDED. Line 30 minus line 27			35 0.00
32.	ADDITIONAL TAXES DUE. Line 27 minus line 30.....			36 0.00
33.	FOR LATE FILING ONLY → PENALTY \$ 37			
34.	TOTAL AMOUNT DUE AND PAYABLE (Add lines 32 and 33).....			38 0.00
35.	PLEASE ENTER THE AMOUNT OF YOUR PAYMENT. Attach a check or money order payable to "HAWAII STATE TAX COLLECTOR" in U.S. dollars to Form G-49. Write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order. Mail to: HAWAII DEPARTMENT OF TAXATION, P. O. BOX 1425, HONOLULU, HI 96806-1425 or file and pay electronically at www.ehawaii.gov/efile. If you are NOT submitting a payment with this return, please enter "0.00" here.			39 0.00
36.	GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED. (Attach Schedule GE) If Schedule GE is not attached, exemptions/deductions claimed will be disallowed.....			40 0.00

Figure 9. How to Fill in the Columns for General Excise and Use Taxes

PART VI — TOTAL RETURN AND RECONCILIATION (Figure 9)

Step 25 — Multiply by the taxable amount on line 21, Column (a) by the tax rate of .005 (line 21, Column (b)) and enter the result, *including the cents*, on line 21, Column (c). The result is the General Excise and Use Taxes @ $\frac{1}{2}$ of 1% (.005) due. If the result is zero, enter "0.00". If the result is a negative amount, enter a minus sign before the amount (e.g., - 1,000.00).

Step 26 — Multiply the taxable income amount on line 22, Column (a) by the tax rate of .04 (line 22, Column (b)) and enter the result, *including the cents*, on line 22, Column (c). The result is the General Excise and Use Taxes @ 4% (.04) due. If the result is zero, enter "0.00". If the result is a negative amount, enter a minus sign before the amount (e.g., - 1,000.00).

Step 27 — Multiply the taxable income amount on line 23, Column (a) by the tax rate of .0015 (line 23, Column (b)) and enter the result, *including the cents*, on line 23, Column (c). The result is the GET on Insurance Commissions @ .15% (.0015) due. If the result is zero, enter "0.00". If the result is a negative amount, enter a minus sign before the amount (e.g., - 1,000.00).

Step 28 — Multiply the taxable income amount on line 24, Column (a) by the tax rate of .005 (line 24, Column (b)) and enter the result, *including the cents*, on line 24, Column (c). The result is the City & County of Honolulu Surcharge Tax @ $\frac{1}{2}$ of 1% (.005) due. If the result is zero, enter "0.00". If the result is a negative amount, enter a minus sign before the amount (e.g., - 1,000.00).

Step 29 — Add the amounts in Column (c) of lines 21 through 24. Enter the sum on line 25. This is the "TOTAL TAXES DUE".

CAUTION: *LINE 25 MUST BE FILLED IN. If you did not have any activity for the year, enter "0.00" here.*

Step 30 — Add all the penalties and interest which have been assessed on taxes owed on the periodic tax returns, enter the results to the right of "PENALTY \$" and "INTEREST \$", and enter the total of the two amounts on line 26.

Step 31 — Add lines 25 and 26, and enter the total on line 27, "TOTAL AMOUNT".

Step 32 — Add the total amount of taxes paid with your periodic tax returns, delinquency notices, and assessment notices less any refunds received for the current tax year, and enter the result on line 28 "TOTAL PAYMENTS MADE DURING THE YEAR LESS ANY REFUNDS RECEIVED FOR THE TAX YEAR".

Step 33 — Leave line 29 blank (to be used for Amended Returns ONLY).

Step 34 — Subtract line 29 from line 28 and enter the "NET PAYMENTS MADE" on line 30.

Step 35 — Compare the amounts on lines 27 and 30. If the amount on line 27 is THE SAME AS line 30, go on to Step 40.

If the amount on line 27 is LESS THAN line 30, subtract line 27 from line 30 and enter the amount on line 31, "CREDIT TO BE REFUNDED". Go on to Step 40.

Step 36 — If the amount on line 27 is MORE THAN line 30, subtract line 30 from line 27 and enter the "ADDITIONAL TAXES DUE" on line 32.

Step 37 — If you file a tax return after the due date, and if there is tax due on the return, then you must compute penalty and interest charges. After computing the amounts, enter the results to the right of "PENALTY \$" and "INTEREST \$" and enter the total of the two amounts on line 33.

If you need help computing the penalty and interest, please call the Taxpayer Services Branch for assistance at 808-587-4242 or toll-free at 1-800-222-3229; or leave these lines blank, and the Department will compute the charges for you and send you a bill.

Step 38 — Add the amounts on lines 32 and 33, and enter the "TOTAL AMOUNT DUE AND PAYABLE" on line 34.

Step 39 — **NOTE:** If you are NOT submitting a check with your return, enter "0.00" on line 35.

Write the "AMOUNT OF YOUR PAYMENT", including any penalty and interest, on line 35. Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank where indicated on the front of the return. Write "GE", the filing period, your Hawaii Tax I.D. No., and your daytime phone number on your check or money order.

Send your check or money order and Form G-49 to:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425

DO NOT SEND CASH. Form G-49, including an amended return, can also be filed and payment made electronically at www.ehawaii.gov/efile.

Step 40 — Make sure you have entered the "GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED" from Schedule GE (Form G-45/G-49), General Excise/Use Tax Schedule of Exemptions and Deductions, on line 36.

Step 41 — Sign your name and write your title and date in the spaces provided on page 1 of the Form G-49 (see Figure 5).

IMPORTANT: *Please fill in each column of your business activity(ies) with a dollar amount or zero (0) or processing errors will result. Also, write "GE", the filing period (e.g., tax year ending 12/31/14), your Hawaii Tax I.D. No., and your daytime phone number on your check or money order, if applicable, so that it may be properly credited if it is accidentally separated from the tax return.*

On line 22, Column (a), Mary enters \$42,875, which is the amount from Part II, line 17. In Column (c), Mary multiplies \$42,875 by the tax rate of .04 and enters \$1,715.00 in Column (c).

On line 24, Column (a), Mary enters \$42,875, which is the amount from Part IV, line 19, Column c. In Column (c), Mary multiplies \$42,875 by the tax rate of .005 and enters \$214.38 in Column (c).

Mary adds lines 22 and 24 and enters the result, \$1,929.38, on line 25.

INSTRUCTIONS FOR FILING AN AMENDED FORM G-49

If you file your Form G-49 and later become aware of any changes you must make to reported income and/or exemptions/deductions, you may file an amended return on Form G-49 to change the Form G-49 you already filed. Complete your amended Form G-49 as follows:

1. Darken the oval at the top of page 1 of Form G-49 to designate that this is an amended return (see Figure 1).
2. Enter the correct amounts of values, gross proceeds or gross income, exemptions/deductions, taxable income, and taxes due which should have been reported on the original Form G-49. Follow Steps 1 through 29 to complete your amended Form G-49. (**NOTE:** Entries which were correctly reported on the original Form G-49 also must be entered on the appropriate line(s). **Failure to do so will result in a change from the correct amount to -0-.**)
3. Enter on line 26 the amounts of any penalty and/or interest assessed as of the date the amended return is filed. Penalty and interest are generally assessed because the original returns were filed after the filing deadline or because the taxes due were not paid in full by the filing deadline.
4. Enter on line 28 the total amount of taxes, additional assessments, and penalty and/or interest paid less any refunds received for the tax year. Include payments made with the original periodic and annual returns as well as any supplemental payments made after they were filed. **REMINDER:** Payments are applied first to recover costs incurred by the Department, then to any interest due, then to penalties, and finally, to taxes.
5. Enter on line 29 the amount of credit claimed on your original Form G-49.
6. Subtract line 29 from line 28 and enter the "NET PAYMENTS MADE" on line 30.
7. If line 27 is LESS THAN line 30, subtract line 27 from line 30 and enter the result on line 31, "CREDIT TO BE REFUNDED".
8. If line 27 is MORE THAN line 30, subtract line 30 from line 27 and enter the result on line 32, "ADDITIONAL TAXES DUE".
9. If the amended Form G-49 is being filed after the due date of the original Form G-49, and if there is an amount entered on line 32, enter on line 33 the amount of any penalty and/or interest now due. On a timely filed original Form G-49, a penalty of 20% of the tax due will be assessed if any tax remains unpaid after 60 days from the prescribed due date of the original Form G-49. The 60-day period is calculated beginning with the prescribed

due date, even if the prescribed due date falls on a Saturday, Sunday, or legal holiday. This penalty is applicable to amended Form G-49s for timely filed original Form G-49s. Interest at the rate of 2/3 of 1% per month or part of a month shall be assessed on unpaid taxes and penalties assessed beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on Saturday, Sunday, or legal holiday.

10. Add lines 32 and 33 and enter the total on line 34, "TOTAL AMOUNT DUE AND PAYABLE".
11. Enter on line 35 the amount of any payment being made with the amended Form G-49. If the amended Form G-49 is being filed after the due date of the original Form G-49, include any additional penalty and interest in your payment. Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank where indicated on the front of the amended Form G-49. Write "GE", the filing period, your Hawaii Tax I.D. No., and your daytime phone number on your check or money order.

Send your check or money order and amended Form G-49 to:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425

DO NOT SEND CASH. An amended Form G-49 can also be filed and payment made electronically at www.ehawaii.gov/efile.

12. If any exemptions/deductions are claimed, complete and attach Schedule GE to the amended Form G-49. The amount and type of exemptions/deductions claimed must be completed even if reported correctly on the original Form G-49 filed.
13. Enter the total of all exemptions/deductions reported on Schedule GE on line 36.
14. Sign your name and write your title and date in the spaces provided on page 1 of the amended Form G-49 (see Figure 4).

IMPORTANT: Please fill in each column of your business activity(ies) with a dollar amount or zero (0) or processing errors will result. Also, write "GE", the filing period (e.g., tax year ending 12/31/14), your Hawaii Tax I.D. No., and your daytime phone number on your check or money order, if applicable, so that it may be properly credited if it is accidentally separated from the tax return.

SCHEDULE OF GENERAL EXCISE TAX EXEMPTIONS AND DEDUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES)

NOTE: Act 105, SLH 2011, temporarily suspended certain general excise and use tax exemptions/deductions from July 1, 2011 through June 30, 2013. Act 105 was repealed on June 30, 2013, this means that the exemptions/deductions suspended by Act 105 may now be claimed against a taxpayer's gross receipts received or accrued (depending on the taxpayer's accounting method) after June 30, 2013. See Department of Taxation Announcement 2013-04 for more information.

Unless the following instructions tell you not to report the exempted/deducted amounts, you must report on Schedule GE (Form G-45/G-49) the exemptions/deductions you are claiming on Forms G-45 and G-49. For circumstances under which an exemption/deduction is permitted or allowed, refer to the following sections:

Affordable Housing: Gross income received by a qualified person or firm for the planning, design, financing, construction, sale, rental, or lease of a housing project certified under section 46-15.1 or 201H-36 by a qualified state agency or a county is exempt. Report and explain these amounts. For more information, see Form G-37 or contact the Hawaii Housing Finance and Development Corporation at 808-587-0597. (Sections 46-15.1, 201H-36, and 237-29.)

Air Pollution Control Facility: Gross proceeds from and the tangible personal property furnished in conjunction with the construction, reconstruction, erection, operation, use, or maintenance of an air pollution control facility (APCF) are exempt. The APCF must be certified by the Department of Health (DOH) at least once every five years and file this certification with the Department of Taxation (DoTax). An exemption may not be claimed if the APCF does not have a valid certificate from DOH on file with DoTax. Report and explain these amounts. (Section 237-27.5.)

Aircraft Leasing: Amounts received as rent for the rental or leasing of aircraft or aircraft engines that is used by the lessee for interstate air transportation of passengers and goods are exempt. Report and explain these amounts. (Section 237-24.3(11).)

Aircraft Service and Maintenance Facility: Amounts received from the servicing and maintenance of certain types of aircraft or from the construction of a qualified aircraft service and maintenance facility in the State are exempt. Report and explain these amounts. (Section 237-24.9.)

Alimony: Alimony and other similar payments and settlements are exempt. Do not report these amounts. (Section 237-24(7).)

Bad Debts: For accrual basis taxpayers, accounts that are actually charged off as worthless for income tax purposes may be deducted in Column b. Report and explain these amounts. No deduction may be taken for a bad debt reserve. If accounts written off are later collected, the collection is included in Column a for the period in which it was received. (Section 237-3(b).)

Casual Sales: Proceeds from a casual sale are not taxed. A casual sale means an occasional, isolated, irregular, infrequent, or incidental sale or transaction involving tangible personal property that is not ordinarily sold in the usual course of a trade or business. Sales of inventory, or sales that are carried out on a systematic basis, such as when a rental car company sells its rental cars in order to make way for new ones to rent, do not qualify as casual sales. For details, see section

18-237-1, HAR. Do not report these amounts. (Section 237-2.)

Certain Convention, Conference, and Trade Show Fees: All of the value or gross income derived by a fraternal benefit, religious, charitable, scientific, educational, or other nonprofit organization under section 501(c) of the Internal Revenue Code from fees for convention, conference, or trade show exhibit or display spaces is exempt. Report and explain these amounts. (Section 237-16.8.)

Common Paymaster Exception: If employees work for more than one related corporation, one of the corporations may pay the employees on behalf of all employers. If so, the intercompany transfers of funds to the common paymaster are exempt. Report and explain these amounts. (Section 237-23.5(b).) See also the exemptions for hotel operators, hotel suboperators, and orchard operators on the following page.

Contracting Activity in an Enterprise Zone: Gross proceeds received by a contractor for construction within an enterprise zone performed for a qualified business within an enterprise zone are exempt. Report and explain these amounts. The designation of enterprise zones and the certification of qualified businesses are administered by the Department of Business, Economic Development, and Tourism (DBEDT). (Section 209E-11.)

Damages for Personal Injuries and Property Damage: Compensatory damages for personal injuries or defamation, or compensatory damages for damage to property, are exempt. Do not report these amounts. (Section 237-24(5).) Punitive damages, and any damages for breach of contract, are taxable if the damages are connected to business in which you are or were engaged in.

Diplomats and Consular Officials, Sales to: Amounts received from foreign diplomats and consular officials who are holding cards issued by the U.S. Department of State granting them an exemption from state taxes are exempt. Report and explain these amounts. (Section 237-24.3(10).) The tax exemption, however, is not applicable to taxes imposed on telecommunication services, other utilities, or gasoline purchases. See Department of Taxation Announcement Nos. 2000-07, 2011-25, and 2013-03 for more information.

Disability Provisions: The first \$2,000 of gross income earned by any blind, deaf, or totally disabled person is exempt. Report and explain these amounts. (Section 237-24(13).) For more information, see TIR Nos. 89-3 and 94-2, and Department of Taxation Announcement 2002-6.

Discounts and Returned Merchandise: Cash or other discounts on the price of articles sold are considered price adjustments and should be considered in figuring the amount to report in Column a. Do not report these amounts. Cash or store credit that is given for returned merchandise is deductible and should be entered in Column b of the same line on which the merchandise sales were reported. Report and explain these amounts. (Section 237-3(b).)

Dividends and Distributions: Dividends and other distributions of income or profit from corporations, partnerships, and trusts are not taxable. Do not report these amounts. (Section 237-3(b).) The exemption does not apply if the distribution is a payment due to transaction of business with the shareholder, partner, member, or beneficiary.

Drugs and Prosthetic Devices: Sales to individuals by a hospital, infirmary, medical clinic, health care facility, pharmacy, or practitioner licensed to administer drugs or prosthetic devices are exempt. Report and explain these amounts. (Section 237-24.3(6).) Prosthetic devices do not include such items as glasses, hearing aids, or dentures. For more information, see TIR No. 86-4.

Employee Benefit Plans: Amounts received by an employee benefit plan such as contributions, dividends, and interest are exempt and do not need to be reported. Amounts received by a nonprofit organization or office such as payments for costs and expenses incurred for the administration of an employee benefit plan are also exempt; however, these amounts must be reported and explained. (Section 237-24.3(4).)

Enterprise Zones: There are tax incentives for businesses in properly designated enterprise zones (EZ). Designation of zones and certification of businesses in those zones are administered by DBEDT. Report and explain these amounts. (Section 209E-11.) **Caution:** Not all sales which count towards an EZ company's qualification for the tax benefits as set by DBEDT are exempt from the GET since some types of sales can be used in determining whether an EZ company has met the annual requirements for certification, but those same sales may not necessarily be exempt from the GET. For example, retail sales of agricultural goods produced or processed in the EZ will count towards an EZ company's annual certification, but the sales are not exempt from the GET, unless they are sales of genetically modified agricultural products.

Exported Services: The value or gross proceeds received by a contractor, service provider, or seller from the sale of contracting or services to a customer for resale, consumption, or use outside of the State are exempt, provided the customer furnishes Form G-61 certifying as such to the contractor, service provider, or seller. Report and explain these amounts. (Section 237-29.53.) For more information, see TIR No. 2009-02.

Federal Cost-Plus Contractors: If you are a federal cost-plus contractor, you may elect to deduct any amounts that you were reimbursed under the contract for materials, plant, or equipment. Report and explain these amounts. In addition, you must certify that you are taxable with respect to the gross proceeds of the sale, and that you elect to have the tax on the gross income computed the same as upon a sale to the state government. Please attach the certification on a separate sheet. (Section 237-13(3)(C).)

Federally Preempted Amounts: Gross income is not taxed if the Constitution and Laws of the United States prohibit the State of Hawaii from taxing it. If you are claiming this exemption, you must enter the amount claimed to be exempt in Column b, and on Schedule GE (Form G-45/G-49). If the amount claimed is exempt due to federal preemption, provide an explanation of the exemption and the federal statute (i.e., title and section of the United States Code) under which the exemption is claimed. (Section 237-22.)

If your business earns interest from buying U.S. Treasury obligations or similar instruments, check TIR No. 84-1 for a list of obligations for which interest is exempt. If the kind of bond or obligation that you have is listed as exempt, please identify the type of obligation that it is, and refer to "TIR No. 84-1" in your explanation of the exemption.

Food Stamps: Amounts received for purchases made with USDA food coupons or vouchers under the federal food stamp program, or the Special Supplemental Food Program for Women, Infants and Children, are exempt. Report and explain these amounts. (*Section 237-24.3(5).*)

Foreign Trade Zone Sales: Sales of privileged foreign merchandise, nonprivileged foreign merchandise, domestic merchandise, or zone-restricted merchandise which are admitted into a foreign-trade zone and made directly to any common carrier in interstate or foreign commerce for consumption out-of-state are exempt, provided that the sale takes place entirely within the zone. Report and explain these amounts. (*Section 212-8.*)

Foster Parents: Foster parents are not taxable on amounts they receive from the State or eleemosynary child-placing organizations for their care of children in foster homes. Do not report these amounts. (*Section 237-24(15).*)

Gifts and Bequests: Any property acquired by gift, bequest, or devise is exempt. Do not report these amounts. (*Section 237-24(4).*)

Green Infrastructure Fee and Green Infrastructure Charge: Amounts received by an electric utility for the green infrastructure fee and the green infrastructure charge is exempt. Do not report these amounts. (*Section 196-New and 269-New.*)

Hawaii Convention Center Operator: Amounts received after June 13, 2007, by the operator of the Hawaii convention center for reimbursement of costs or advances made pursuant to a contract with the Hawaii tourism authority under section 201B-7 are exempt. Report and explain these amounts. (*Section 237-24.75(2).*)

Hotel Operator: Amounts received by the operator of a hotel from the owner of the hotel or from a timeshare association, and disbursed by the hotel operator for employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits) are exempt. Report and explain these amounts. (*Section 237-24.7(1).*)

Hotel Suboperator: Amounts received by the suboperator of a hotel from the owner of the hotel, from a timeshare association, or from the operator of the hotel, and disbursed by the hotel suboperator for employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits) are exempt. Report and explain these amounts. (*Section 237-24.7(1).*)

Insurance Proceeds: Amounts received under life insurance contracts because of the death of the insured (*section 237-24(1)*), amounts received under life insurance, endowment, or annuity contracts paid either during the term of the contract or at maturity (*section 237-24(2)*), or amounts received under an accident, health, or worker's compensation policy because of personal injuries, death, or sickness (*section 237-24(3)*) are all exempt. Do not report these amounts.

If a person receives amounts under fire or accident policies to repair or replace damaged property, the amounts could qualify as money received because of casual sales (discussed earlier). Amounts paid under business interruption insurance contracts to replace lost income, or amounts paid under any insurance contracts to repair or replace inventory property, including crop losses, are considered taxable. Report all of these amounts on the "All Others" line in Part II of Forms G-45 and G-49, even if the insurance proceeds replace inventory property that otherwise

would have been sold at wholesale. For more information, see TIR No. 92-7. If the damage or loss of inventory property took place in an area declared a natural disaster area, an exemption may be claimed under "Insurance Proceeds Received Because of a Natural Disaster".

Insurance Proceeds Received Because of a Natural Disaster: If you receive amounts under property and casualty insurance policies for damage or loss of inventory used in a trade or business located within an area declared a natural disaster area by the Governor, this exemption applies. Report and explain these amounts. (*Section 237-24.7(6).*)

Intercompany Charges: Charges for legal, accounting, managerial, and administrative services (including related overhead costs) furnished by one related entity to another, or interest on loans or advances to related entities, are not taxable. Effective July 1, 2001, the amount received, charged, or attributable to services using computer software and hardware, information technology services, and database management that is furnished by one related entity to another related entity is exempt. Related entities are generally those related through 80% common ownership and at least 80% of the total voting power. Report and explain these amounts. (*Section 237-23.5(a).*)

Labor Organizations: A labor organization that is exempt from federal income tax under section 501(c)(5) of the Internal Revenue Code is not taxable on rents for real property leased to: (A) another labor organization, or (B) a trust providing membership service programs such as a pension plan, a common fund for medical or hospital care, or apprenticeship and training. Report and explain these amounts. (*Section 237-24.3(9).*)

Leases and Subleases of Real Property: A deduction is allowed to a taxpayer who leases real property from a lessor under a written lease, and subsequently subleases that same real property to a sublessee under a written lease. The deduction is computed by multiplying the gross proceeds paid by the taxpayer to the lessor by a rate to be phased in over a 7-year period as follows: 1998 - 0.125; 1999 - 0.25; 2000 - 0.375; 2001 - 0.50; 2002 - 0.625; 2003 - 0.75; and 2004 and thereafter - 0.875. The taxpayer calculates the sublease deduction using Form G-72. Report and explain these amounts. (*Section 237-16.5.*)

Maintenance Fees: Amounts received by the manager, submanager, or board of directors of: (1) an association of owners of a condominium property regime established under HRS chapters 514A or 514B (*section 237-24.3(2)*); (2) a nonprofit homeowners or community association incorporated in accordance with 414D (*section 237-24.3(2)*); or (3) a qualifying cooperative housing corporation (*section 237-24(16)*); in reimbursement of sums paid for common expenses such as maintenance fees are exempt. Report and explain these amounts. If you are not a manager, submanager, or a board of directors to an entity of (1), (2), or (3) above, you do not qualify for this exemption.

Mass Transit: Income of the operator of a mass transit system (of motorized buses) is exempt, if a political subdivision owns the property and the facilities of the county transportation system (including buses, real estate, parking garages, fuel pumps, etc.). Report and explain these amounts. (*Section 237-24.7(2).*)

Merchants' Association Dues: Amounts received from the membership of an unincorporated merchants' association as dues for advertising or promotion are exempt, as long as the advertising and promotion are for the

benefit of the membership as a whole and not for an individual member or subgroup of members. Report and explain these amounts. (*Section 237-24.3(8).*)

Non-profit Organizations: Amounts received by certain non-profit fraternal, religious, charitable, scientific, educational, community or social welfare groups and hospitals, infirmaries and sanatoria organizations may be exempt. Report and explain these amounts. However, **ALL** fundraising activities are taxable and must be reported. (*Section 237-23.*) See TIR Nos. 2010-05 and 2011-04 for licensing and reporting requirements, and TIR Nos. 89-6, 89-13, 91-2, and 91-4, and Tax Facts No. 98-3 for more information.

Orchard Operator: Amounts received by the operator of orchard properties from the owner of the orchard property specifically to cover the costs of employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits) are exempt. Report and explain these amounts. (*Section 237-24.7(4).*)

Out of State Sales: The value or gross proceeds received by a manufacturer, producer, or seller of tangible personal property shipped to a point outside of the State where it is resold or otherwise consumed or used outside the State are exempt, provided the purchaser furnishes Form G-61 certifying as such to the manufacturer, producer, or seller. Report and explain these amounts. (*Section 237-29.5(1).*) For more information, see TIR No. 98-5.

Petroleum Refining: Petroleum products refined in Hawaii that will be further refined by another taxpayer are exempt. Report and explain these amounts. (*Section 237-27.*)

Potable Water: Amounts received by non-profit organizations exempt under section 501(c)(12) of the Internal Revenue Code for providing potable water to residential communities that have no access to public utility water services are exempt. Report and explain these amounts. (*Section 237-23(a)(7).*)

Professional Employer Organizations: Amounts received after June 30, 2007, by a professional employer organization (PEO) that is registered with the Department of Labor and Industrial Relations pursuant to Chapter 373L, HRS, from a client company equal to amounts that are disbursed by the PEO for employee wages, salaries, payroll taxes, insurance premiums, and benefits, including retirement, vacation, sick leave, health benefits, and similar employment benefits with respect to assigned employees at a client company are exempt; provided that this exemption shall not apply to a PEO upon failure of the PEO to collect, account for, and pay over any income tax withholding for assigned employees or any federal or state taxes for which the PEO is responsible. The PEO must comply with the registration requirements under Chapter 373L, HRS, in order to claim the exemption. Report and explain these amounts. (*Section 237-24.75(3).*)

Real Estate Sales: Gross proceeds from the sale of land in fee simple are generally exempt and do not have to be reported. (*Section 237-3(b).*) If leasehold land is sold, especially by the lessor, part of the proceeds from the sale may be considered rent and would need to be reported on the "Other Rental" line in Part II of Forms G-45 and G-49. For details, see General Excise Tax Memorandum No. 3 and General Excise Tax Memorandum No. 3A. Land in fee simple does not include furniture, fixtures, and equipment. If these items are being sold, see "Casual Sales" above.

Contractors, developers, and dealers in real estate must report the gross sale proceeds from their projects in Column a, and include in Column b (and explain on Schedule GE (Form G-45/G-49)) the amount attributable to the sale of land in fee simple.

Reimbursements of Payroll Costs: Amounts received by a management company from related entities engaged in the business of selling interstate or foreign telecommunication services as reimbursements of payroll costs incurred in managing or operating the related entities' employees are exempt. Report and explain these amounts. (Section 237-24.7(9).) Related entities are generally those related through 80% common ownership and at least 80% of the total voting power.

Sales to the Federal Government and Credit Unions: Sales of tangible property to the federal government and state and federal credit unions are exempt. Report and explain these amounts. (Section 237-25(a).) This exemption does not apply to federal cost-plus contractors or service providers (even if the service provider separately bills for the item of tangible personal property). For more information, see TIR Nos. 2001-3 and 2005-1. **NOTE:** Services provided to the federal government and credit unions are taxable.

Scientific Contracts: Gross proceeds from certain scientific contracts with the federal government are exempt. Report and explain these amounts. (Section 237-26.) For more information, see TIR No. 35-71.

Senior Citizens' Fair: Proceeds of an annual senior citizens' fair held by a county commission on aging or appropriate county agencies on aging are exempt. Do not report these amounts. (Section 349-10.)

Services Related to Ships and Aircraft: Amounts received from the loading or unloading of ships or aircraft; tugboat services including pilotage fees and towage of ships, barges, or vessels in and out of harbors or from one pier to another; and the transportation of pilots or governmental officials to ships, barges or vessels offshore; rigging gear; checking freight and similar services; standby charges; and use of moorings and running mooring lines are exempt. Report and explain these amounts. (Section 237-24.3(3).)

Shipbuilding and Ship Repairs: Gross proceeds arising from shipbuilding and ship repairs rendered to surface vessels federally owned or engaged in interstate or international trade are

exempt. Report and explain these amounts. (Section 237-28.1.)

Shipping and Handling of Agricultural Commodities: Amounts received for loading, unloading and shipping of agricultural commodities between islands in the State from a producer or produce dealer are exempt. Report and explain these amounts. (Section 237-24.3(1).)

Small Business Innovation Research Grants: Amounts received as grants awarded by the High Technology Development Corporation under section 206M-15, that supplement federal small business innovation research phase I awards or contracts are exempt. Report and explain these amounts. (Section 237-24.7(10).)

Stock Exchange Transactions: Certain amounts received by a domestic or foreign stock exchange, and certain amounts received by exchange members by reason of executing a securities or product transaction on an exchange, are exempt. Report and explain these amounts. (Section 237-24.5.)

Stocks, Bonds, and Commodity Futures: Gross proceeds from the sale of securities, commodity futures, and bonds are exempt and do not have to be reported. (Section 237-3(b).) If you are selling bonds with accrued but unpaid interest, the interest is considered income that is received when the bond is sold. The interest does not qualify for this exclusion and may need to be reported on the "Interest" line in Part II of Forms G-45 and G-49. For example, if you purchased an out-of-state municipal bond at a discounted price and sell it for an appreciated price, the difference is considered accrued, but unpaid, interest and that portion would be taxable and reported on the "Interest" line in Part II of Forms G-45 and G-49. **NOTE:** Federal bonds' accrued interest are exempt. See "Federally Preempted Amounts" discussed earlier.

Subcontract Deduction: A prime contractor (or a developer) may be eligible for a deduction in the amount of payments made to a subcontractor or a specialty contractor. In addition, the subcontractor's name, the subcontractor's Hawaii Tax I.D. No., and the amount of deduction must be provided in Section VII on Schedule GE. Report and explain these amounts. For more information, contact your district tax office for instructions. (Section 237-13(3)(B).)

Sugar Cane Payments to Independent Producers: Certain payments to independent sugar cane producers are exempt. Report and explain these amounts. (Section 237-24(14).)

Taxes Passed On: Amounts received to pay the following taxes are exempt. Each amount should be reported and explained.

Fuel taxes collected by distributors. (Section 237-24(8).)

Hawaii liquor taxes collected by dealers. (Section 237-24(9).)

Hawaii cigarette and tobacco taxes paid by wholesalers. (Section 237-24(10).)

Federal excise taxes imposed on articles sold at retail and collected from purchasers. (Section 237-24(11).)

Federal taxes imposed on sugar manufactured in Hawaii. (Section 237-24(12).)

Transient accommodations taxes visibly passed on. (Section 237-24.3(7).)

Rental motor vehicle and tour vehicle surcharge taxes visibly passed on. (Section 237-24.7(3).)

Trade-Ins: For trade-ins, a merchant reduces the price of the new article by the amount of the trade-in allowance. The trade-in allowance is considered a price adjustment and is subtracted from the new article's sales price and the net amount is reported in Column a. Any later sale of the traded-in article is reportable at the time of that sale. (Section 237-3(b).)

TRICARE: Effective July 1, 2009, the amounts received by a managed care support contractor of the TRICARE program that is established under Title 10 United States Code Chapter 55, as amended, for the actual cost or advancement to third party health care providers pursuant to a contract with the United States are exempt. Report and explain these amounts. (Section 237-24(17).)

Wages: Amounts received as salaries or wages for services rendered by an employee to an employer are exempt. If your employer is withholding payroll taxes on these wages, you do not have to report them. If you are being paid as an independent contractor, or if payroll taxes are not being withheld, these amounts are taxable and must be reported and explained. (Section 237-24(6).)

Wholesale Transactions: Amounts received from the sales of tangible personal property imported into the State by a licensed taxpayer to another licensed taxpayer for further resale at wholesale are exempt. Report and explain these amounts. (Section 237-29.55.)

DIVISION OF GROSS INCOME AMONG TAXPAYERS

In general, as mentioned above, the GET is imposed on gross income and no deductions are allowed for costs of producing that income. In the following special situations, however, the law recognizes the division of gross receipts among the taxpayers responsible for those receipts. Taxpayers in these situations report their respective shares of the gross income received.

Coin Operated Devices: Gross receipts are divided between the owner (or operator) of the device and the owner (or operator) of the premises on which the machine is located. (Section 237-18(a).)

Insurance Agents and Realtors: Gross commissions are divided among licensed non-employee insurance agents, or among licensed non-employee realtors. (Section 237-18(e).)

Generally, commission sellers pay tax on commissions earned, and the principal pays tax on gross sales, not the amount net of commissions.

Motor Carriers: Where the transportation of passengers or property is furnished through arrangements between motor carriers, the gross income received for the transportation services is divided between the motor carriers. (Section 237-18(h).)

Producers and Promoters: When a person furnishing or producing an event or spectacle (such as a film distributor) and a promoter (such as a theater owner) stage an event, the promoter pays the tax and withholds the producer's share of the tax from the portion of the income payable to the producer. If the producer is a tax exempt entity, such as a properly registered nonprofit

organization, then the promoter is not taxed on the producer's share of the income and the promoter does not have to withhold tax. (Section 237-18(b).)

Tour Packagers: Gross revenues can be divided between a tour packager or travel agent and a provider of tourism related services. (Section 237-18(f).) In addition, gross revenues can be divided between a tour packager and a provider of transient accommodations at noncommissioned negotiated contract rates. (Section 237-18(g).) For more information, see TIR No. 91-8 and Attorney General Opinion 65-6.

SCHEDULE OF USE TAX EXEMPTIONS AND DEDUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES)

NOTE: Act 105, SLH 2011, temporarily suspended certain general excise and use tax exemptions/deductions from July 1, 2011 through June 30, 2013. Act 105 was repealed on June 30, 2013, this means that the exemptions/deductions suspended by Act 105 may now be claimed against a taxpayer's gross receipts received or accrued (depending on the taxpayer's accounting method) after June 30, 2013. See Department of Taxation Announcement 2013-04 for more information.

Unless the following instructions tell you not to report the exempted/deducted amounts, you must report on Schedule GE (Form G-45/G-49) the exemptions/deductions you are claiming on Forms G-45 and G-49. For circumstances under which an exemption/deduction is permitted or allowed, refer to the following sections:

Air Pollution Control Facility: Gross proceeds from, and the tangible personal property furnished in conjunction with the construction, reconstruction, erection, operation, use, or maintenance of an air pollution control facility (APCF) are exempt. The APCF must be certified by the Department of Health (DOH) at least once every five years and file this certification with the Department of Taxation (DoTax). An exemption may not be claimed if the APCF does not have a valid certificate from the DOH on file with the DoTax. Report and explain these amounts. (Section 238-3(k).)

Aircraft Service and Maintenance Facility: Materials, parts, or tools imported or purchased by a person with a general excise tax license and which are used for certain types of aircraft service and maintenance, or for the construction of a qualified aircraft service and maintenance facility, are exempt. Report and explain these amounts. (Section 238-1.)

Casual Purchases: A sale of tangible personal property by someone not in the business of selling the property is called a casual sale. (See "Casual Sales," discussed under the Schedule of General Excise Tax Exemptions and Deductions.) Because gross income derived from a casual sale is excluded from gross income subject to the GET, the landed value of tangible personal property acquired in a casual sale also is not subject

to the use tax. For example, if you purchase a used car from an individual selling his or her personal car and import that car into Hawaii, report the landed value of the car but claim this exemption. (Section 238-1.)

Contracting: A contractor importing contracting that will become identifiable elements of the project is exempt provided that the contractor is subject to the GET as a contractor and the contractor would have been able to deduct the amounts paid to the subcontractor if the subcontractor was subject to the GET. Report and explain these amounts. See TIR No. 2009-02 for more information. (Section 238-2.3(1)(C).)

Diplomats and Consular Officials: The use of property, services, or contracting imported by foreign diplomats and consular officials holding cards issued by the U.S. Department of State granting them an exemption from state taxes are exempt. Report and explain these amounts. (Section 238-1.) The tax exemption, however, is not applicable to taxes imposed on telecommunications services, other utilities, or gasoline purchases. For more information, see Department of Taxation Announcement Nos. 2000-07, 2011-25 and 2013-03.

Director of Taxation's Authority to Exempt, Exclude or Apportion the Use Tax: Imports of property, services, or contracting to the extent that the GET would have applied to a similarly-situated taxpayer engaged in a local transaction. The Director of Taxation (Director) has the authority to:

- (1) Exempt or exclude from the use tax, property, services, or contracting, or the use of property, services, or contracting exempted from the GET; or
- (2) Apportion the gross value of services or contracting sold to customers within the State by persons engaged in business both within and without the State to determine the value of that portion of the services or contracting that is subject to the GET for the purposes of section 237-21.

The Director will use the authority to exempt, exclude, or apportion the value of imported property,

services, or contracting when an exemption, exclusion, or apportionment of gross receipts would be allowed under the General Excise Tax Law in the case of a similar local transaction. (Section 238-3(a).)

Drugs and Prosthetic Devices for Personal Use: If you are an individual who bought drugs or prosthetic devices from a hospital, infirmary, medical clinic, health care facility, pharmacy, or a practitioner licensed to administer the drug to an individual, the landed value of the drugs or prosthetic devices is exempt from use tax. Do not report these amounts. (Section 238-1.)

Producers: Certain property used by licensed producers is either taxed at a ½% rate or is exempt, depending on whether the imported property is going to be resold at retail. For example, if a farmer sells eggs to grocery stores as well as to neighbors and friends, then the chicken feed the farmer imports is taxed. That portion of the feed used to feed chickens whose eggs the farmer consumes is imported for consumption, and is reported on the "Use Tax on Imports For Consumption" line in Part II of Forms G-45 and G-49. The portion attributable to retail sales is imported for resale, and is reported on the "Use Tax on Imports For Resale at 4%" line in Part I of Forms G-45 and G-49. The remainder is imported for wholesale, and is exempt; include those amounts on the "Use Tax on Imports For Resale at 4%" line in Part I of Forms G-45 and G-49, Columns a and b, and report this on Schedule GE (Form G-45/G-49). (Section 238-4.) For more information, see HAR section 18-238-4.

Scientific Use Property: Property which is to be affixed to, or which is to become a physical, integral part of a scientific facility, or which is to be entirely consumed during the performance of a service required by a scientific contract with the United States Government, is exempt. Report and explain these amounts. (Section 238-3(j).) For more information, see TIR No. 35-71.

Services or Contracting to Foreign Customers: The use of services or contracting imported for resale to a foreign customer who will resell, consume or use the service or contracting outside of the State is exempt. Report and explain these amounts. (Section 238-2.3(1)(C).)

SCHEDULE OF COUNTY SURCHARGE EXEMPTIONS AND DEDUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES UNLESS NOTED)

Taxpayers with certified disabilities are not subject to the County Surcharge.

The City and County of Honolulu Surcharge (County Surcharge) is imposed on Oahu taxable income that is subject to the General Excise or Use Tax at the rate of 4%. (Section 237-8.6.) You must report on Schedule GE (Form G-45/G-49) the exemptions/deductions you are claiming on Forms G-45 and G-49. For circumstances under which an exemption/deduction is permitted or allowed, refer to the following sections:

Certain contracts: Written contracts entered into before June 30, 2006 that do not allow for the passing on of increased rates of taxes are

exempt from the County Surcharge. Report and explain these amounts. (Section 237-8.6(c).)

Certain Oahu Sales: Amounts of sales assigned to the Oahu Taxation District by a seller who does not have Oahu nexus are exempt. Report and explain these amounts. For more information, see section 18-237-8.6, HAR.

Sublease deduction: The amount of rent paid to a landlord that is subleased to a tenant and is not deducted from GET gross receipts under section 237-16.5 is not subject to the County Surcharge. Since these amounts are effectively

taxed at ½ of 1%, the County Surcharge does not apply. The amount of the County Surcharge sublease deduction is computed on Form G-72, line 6. Report and explain these amounts.

Wholesale amusements: The amount of wholesale amusements not deducted from general excise tax gross receipts under section 237-4(a) (13) is not subject to the County Surcharge. Since these amounts are effectively taxed at the rate of ½ of 1%, the County Surcharge does not apply. The amount of the County Surcharge deduction is computed on Form G-81, line 6. Report and explain these amounts.